Commonwealth of Kentucky

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 1986

Martha Layne Collins
Governor

The Commonwealth of Kentucky is dedicated to fairly presenting and fully disclosing the government's financial position and results of financial operations in compliance with Generally Accepted Accounting Principles. Accordingly, this year's Comprehensive Annual Financial Report is being submitted to the Government Finance Officers Association for consideration to receive the Certificate of Achievement for Excellence in Financial Reporting. This report accurately reflects both the financial condition of the Commonwealth and the professional efforts of those people who contributed to its completion.

Martha Layne Collins
Governor

Commonwealth of Kentucky
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 1986

Martha Layne Collins, Governor

Prepared by:
Finance and Administration Cabinet
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Commonwealth of Kentucky
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 1986

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" More than 56,000 new jobs have been created since January, 1984. Since Toyota selected Kentucky as the site for its new plant, 10 automotive companies have announced they are also coming to Kentucky ... they'll hire over 2,000 people and invest $250 million. "

Gov. Collins
Democratic Women's Club
September 26, 1986

Introductory Section

" ... U.S. Government figures show our workforce as one of the top five in productivity. In the southeast region, we're number one in value added to manufacture by labor. "

Gov. Collins
Industrial Development Research Council
May 13, 1985

MARTHA LAYNE COLLINS
GOVERNOR

GORDON C. DUKE
SECRETARY

OFFICE OF THE SECRETARY
FINANCE AND ADMINISTRATION CABINET
FRANKFORT, KENTUCKY 40601

December 31, 1986

The Honorable Martha Layne Collins
Governor, Commonwealth of Kentucky
The Capitol Building
Frankfort, Kentucky 40601

Dear Governor Collins:

Pursuant to Section 48.800(3) of the Kentucky Revised Statutes, the Commonwealth's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1986, is submitted herewith.

This report was prepared by the Finance and Administration Cabinet and responsibility for its accuracy, scope, and disclosures rests with the Commonwealth. I believe the information presented in the report enables the reader to gain the maximum understanding of Kentucky's financial affairs during the previous fiscal year.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the Commonwealth's accounting system, consideration is given to the adequacy of internal accounting controls. These are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived by its use and the evaluation of costs and benefits requires estimates and judgements by management. All internal control evaluations occur within this framework. I believe that the Commonwealth's internal accounting controls adequately safeguard assets and provide assurance of proper recording of financial transactions.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of contracts to vendors. Contracts which result in overruns of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balances of the Commonwealth's Special Revenue, Capital Projects, and University and College Funds at June 30, 1986.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all funds, account groups, and entities controlled by or dependent on the Commonwealth. Determination of "controlled by or dependent on" is based on criteria established by the National Council on Governmental Accounting (NCGA) in Statement 3, Defining the Governmental Reporting Entity and continued in force by the Governmental Accounting Standards Board (GASB). Based on these criteria, the funds, account groups, and entities listed in the Table of Contents are included in this report.

The Commonwealth provides the full range of services contemplated by statute or character, including economic development; educational and human services; energy and natural resource management; justice, correctional, and public protection services; transportation; public improvements; and general legislative, administrative, and judicial services.

GENERAL FUND CONDITION--BUDGETARY BASIS

General Fund revenue for the fiscal year ended June 30, 1986, was $2,736,839,766, an increase of 7.5% over FY'85. This amount does not include $4,646,475 classified as "other financing sources". Taxes represented 97% of all General Fund revenue collected during fiscal 1986, the same as for the previous accounting period. The amounts and percentages of revenue derived from specific sources and the changes from last fiscal year are shown below (expressed in thousands), and are illustrated in Chart 1.

Revenue Source	Amount	Percent of Total	Increase from 1985
Sales and Gross Receipts Taxes	$1,006,115	36.8%	$ 66,820
Individual Income Tax	819,893	30.0%	43,324
Property Taxes	254,518	9.3%	19,805
Corporate Income Tax	233,524	8.5%	22,240
Coal Severance Tax	198,526	7.3%	(8,837)
Non-Tax revenue	88,391	3.2%	9,323
Inheritance and Estate Taxes	54,949	2.0%	3,972
License and Privilege Taxes	47,801	1.7%	23,122
Other Taxes	33,123	1.2%	10,306
Total General Fund Revenue	$2,736,840	100.0%	$ 190,075

General Fund expenditures for FY'86 totaled $2,654,795,873, including transfers of $229,201,060. During the year both expenditures and transfers increased by 7% compared to fiscal 1985. The general government function includes $441,153,300 of expenditures for the eight state supported universities, amounting to 16.6% of the General Fund total. The amounts and percentages expended for the various governmental functions and the changes from last fiscal year are shown below (expressed in thousands) and are illustrated in Chart 1.

An Equal Opportunity Employer M/F/H

Function	Amount	Percent of Total	Increase from 1985
General Government	$ 631,017	23.8%	$ 53,085
Legislative and Judicial	82,437	3.1%	9,226
Commerce	58,890	2.2%	5,662
Education and Humanities	1,241,559	46.8%	59,336
Energy	8,562	0.3%	382
Human Resources	422,678	15.9%	30,568
Justice	62,741	2.4%	3,644
Natural Resources and Environmental Protection	26,711	1.0%	2,927
Corrections	91,563	3.4%	11,461
Public Protection and Regulation	26,633	1.0%	788
Transportation	2,005	0.1%	333
Total General Fund Expenditures	$2,654,796	100.0%	$ 177,412

The General Fund ended fiscal 1986 with a cash surplus of $208,653,788. This is an increase of $98,616,822 over FY'85 year end cash surplus of $110,036,966.

GENERAL GOVERNMENTAL FUNCTIONS—GAAP BASIS

General governmental functions are accounted for in four governmental funds - General, Special Revenue, Debt Service, and Capital Projects. Revenue for general governmental functions totaled $5.0 billion for fiscal 1986, an increase of 7% over the amount collected during FY'85. The amounts and percentages of revenue derived from specific sources and the changes from fiscal 1985 are shown below (expressed in thousands), and are illustrated in Chart 2.

Revenue Source	Amount	Percent of Total	Increase from 1985
Taxes	$3,077,138	61.5%	$ 217,273
Intergovernmental	1,393,323	27.8%	53,616
Charges for Services	221,490	4.4%	90,613
Interest and Investments	139,682	2.8%	47,363
Licenses, Fees, and Permits	77,988	1.6%	(1,325)
Other	59,060	1.2%	(79,712)
Fines and Forfeits	33,262	0.7%	1,670
Total Governmental Funds Revenue	$5,001,943	100.0%	$ 329,498

Expenditures, excluding transfers, for general governmental functions were $4.5 billion for FY'86, an increase of 9% over the amount expended during the fiscal year ended June 30, 1985. The amounts and percentages expended for various governmental functions and the changes from last fiscal year are shown below (expressed in thousands) and are illustrated in Chart 2.

Function	Amount	Percent of Total	Increase from 1985
General Government	$ 305,141	6.8%	$ 26,590
Legislative and Judicial	79,120	1.8%	9,085
Commerce	35,975	.8%	2,003
Education and Humanities	1,324,490	29.5%	60,733
Energy	7,549	.2%	4,149
Human Resources	1,298,609	28.9%	60,796
Justice	75,037	1.7%	5,494
Natural Resources and Environmental Protection	50,632	1.1%	4,692
Corrections	81,707	1.8%	4,672
Public Protection and Regulation	54,622	1.2%	1,197
Transportation	738,707	16.4%	29,853
Capital Outlay	94,167	2.1%	14,795
Debt Service	344,887	7.7%	150,165
Total Governmental Fund Expenditures	$4,490,643	100.0%	$ 374,224

Ending fund balances for all governmental fund types increased from $1.26 billion in fiscal 1985 to $1.41 billion at June 30, 1986. Of this total, unreserved fund balances amounted to $486 million at fiscal 1986 year end compared to $801 million at the close of fiscal 1985.

DEBT ADMINISTRATION

The ratio of general bonded debt to assessed valuation and the amount of debt per capita are useful indicators to citizens, investors, and management regarding the Commonwealth's debt position. These data at June 30, 1986, were:

	Amount	Ratio to Assessed Value	Debt per Capita
General Bonded Debt	$ 1,731,291,987	1.2%	$ 458.13

The Commonwealth's general obligation bonds are rated "AA" by both Moody's Investors Service and Standard and Poor's Corporation. No such bonds have been issued since 1965. Principal outstanding for general obligation bonds at June 30, 1986, was $164,650,000.

During fiscal 1986, Kentucky issued revenue bonds totaling $515,420,557 for general governmental functions and supported by governmental fund appropriations. Of this amount, $473,169,407 was for the purpose of defeasing existing debt and funding related reserve accounts. The remaining $42,251,150 issued during the period funded new projects. All issues sold during FY'86 received "A" ratings. At the close of fiscal 1986 total principal outstanding for revenue bonds paid from governmental fund appropriations was $1,566,641,987.

CASH MANAGEMENT

General depository cash temporarily idle during the year was invested in repurchase agreements with Kentucky banks and United States government obligations with maturities ranging from 1 day to 60 months. The average yield on such investments maturing during fiscal 1986 was 10.966% and the amount of interest received was $143.2 million, excluding pension trust funds. This amount represents a 1.42% increase over interest earned on temporary investments during fiscal year 1985.

CAPITAL PROJECTS FUND

Proceeds of certain bond issues and other appropriated monies to be used for projects related to economic development and the construction, improvement, and maintenance of the Commonwealth's physical plant are accounted for in the Capital Projects Fund until such projects are completed. Completed construction and improvement projects are capitalized in the appropriate proprietary fund or General Fixed Asset Account Group at year end. Completed economic development and maintenance projects are not capitalized since they do not result in assets of the Commonwealth. All uncompleted construction in progress is capitalized in the General Fixed Assets Account group or appropriate proprietary fund. During fiscal 1986 projects costing $8,574,631 were completed.

GENERAL FIXED ASSETS

The general fixed assets of the Commonwealth are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of the Enterprise, Internal Service, Nonexpendable Trust, and College and University Funds. As of June 30, 1986, the general fixed assets of Kentucky amounted to $726,918,000. This amount represents the actual or estimated historical cost of land, buildings, and equipment. All fixed assets owned by the Commonwealth, except those owned by universities and colleges, are recorded in Kentucky's Central Fixed Asset Accounting System.

PROPRIETARY FUNDS

Combined operating revenues of Kentucky's enterprise funds increased from $46.8 million in 1985 to $48.9 million in 1986. Combined operating expenses also increased from $67.4 million to $79 million during the same period. The State Parks Fund continues as the largest enterprise fund activity ($29.5 million and $51.6 million in operating revenue and expenses, respectively). Outstanding enterprise fund revenue bonds at June 30, 1986, totaled $9.6 million, all in the State Parks Fund.

Combined operating revenue and expenses for the Commonwealth's internal service funds amounted to $63.8 million and $63.4 million, as compared to 1985 totals of $54.5 million and $62.9 million. The internal service operations provided include, but are not limited to, data processing, telecommunications, and property management services to other state agencies. At year end no internal service fund bonds were outstanding.

Proprietary fund losses are funded by operating transfers from governmental funds.

COLLEGE AND UNIVERSITY FUNDS

College and university current funds revenue rose from $428.5 million in 1985 to $465.7 million in 1986 for an increase of 8.7%. State appropriations transferred from the state treasury to these funds went up 5.7% to $444.5 million. Current funds expenditures and transfers also increased during the fiscal year ended June 30, 1986, up by 7.4% to $902.2 million.

PENSION TRUST FUNDS

The Commonwealth administers separate retirement systems for Kentucky employees, state police officers, public school teachers, judges, legislators, and county employees. Combined total assets for these plans at fiscal 1986 year end reached $4 billion. The aggregate operating revenue of these funds was $946.4 million during the period with the largest portion being interest and other investment income of $472.4 million. Total operating expenses for all systems during the fiscal year was $252.7 million, including retirement benefits paid of $211 million.

INDEPENDENT AUDIT

The accompanying financial statements have been examined by the Office of the Auditor of Public Accounts of the Commonwealth of Kentucky. Their examination was conducted in accordance with generally accepted government auditing standards, and their opinion letter appears elsewhere in this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awards the Certificate of Achievement for Excellence in Financial Reporting to governmental units which publish easily readable and efficiently organized comprehensive annual financial reports, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. I believe this report conforms to Certificate of Achievement Program requirements and therefore will be submitted to GFOA which will determine the Commonwealth's eligibility to receive the certificate.

ACKNOWLEDGEMENTS

The timely preparation of this report could not have been accomplished without the services of the staffs of the Division of Accounts and Printing of the Finance and Administration Cabinet, as well as the Office of the Auditor of Public Accounts. I want to express my sincere appreciation to all who contributed to the preparation of this report.

Respectfully submitted,

Gordon C. Duke
Secretary

COMMONWEALTH OF KENTUCKY

MARTHA LAYNE COLLINS
GOVERNOR

GORDON C. DUKE
SECRETARY

FINANCE AND ADMINISTRATION CABINET
DEPARTMENT FOR ADMINISTRATION
DIVISION OF ACCOUNTS
332 CAPITOL ANNEX
FRANKFORT, KENTUCKY 40601
(502) 564-7750

MITCHELL H. PAYNE
COMMISSIONER

EDGAR C. ROSS
DIRECTOR

December 30, 1986

The Honorable Gordon C. Duke
Secretary, Finance and Administration Cabinet
301 New Capitol Annex
Frankfort, Kentucky 40601

Dear Secretary Duke:

In accordance with Section 48.800(3), Kentucky Revised Statutes, I am pleased to transmit to you the Comprehensive Annual Financial Report of the Commonwealth of Kentucky for the fiscal year ended June 30, 1986.

This report has been prepared in compliance with the Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants' (AICPA) publication Audit of State and Local Governmental Units, except for the college and university fund financial statements which have been prepared in accordance with GAAP as promulgated by the National Association of College and University Business Officers (NACUBO) and the AICPA's Audits of Colleges and Universities. I believe this report presents fairly and with full disclosure the financial position and results of financial operations of the Commonwealth for the reporting period.

It is my hope that the information presented herein will assist readers in their evaluation of Kentucky's financial condition.

Respectfully submitted,

Edgar C. Ross, Director
Division of Accounts

An Equal Opportunity Employer M/F/H

" We've brought more than 5,000 jobs and more than $1 billion in investment to our Commonwealth this year. "

Gov. Collins
Democratic Women's Club
September 26, 1986

CHART 1
GENERAL FUND — BUDGETARY BASIS
Fiscal Year 1986
(amounts in billions)

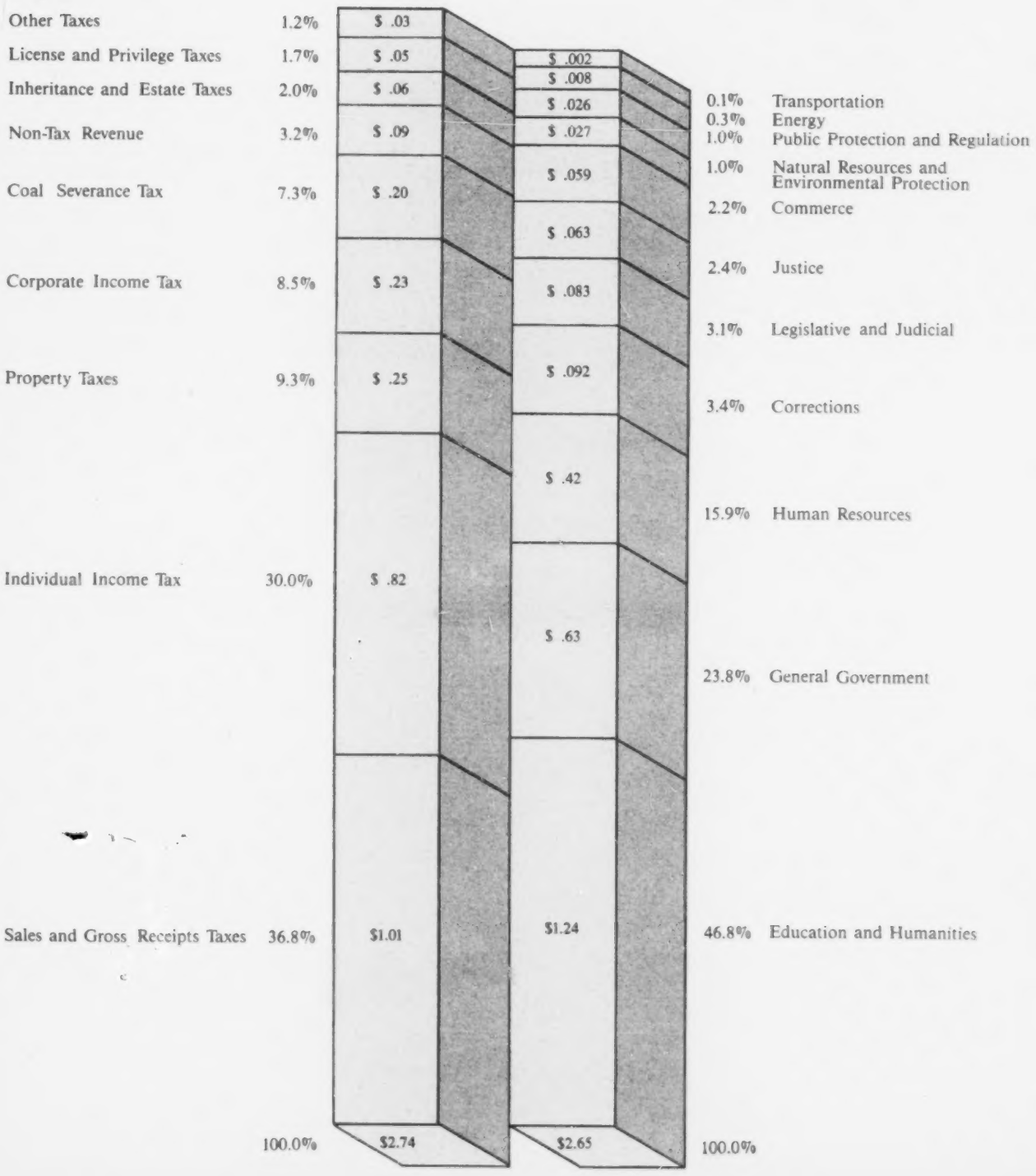
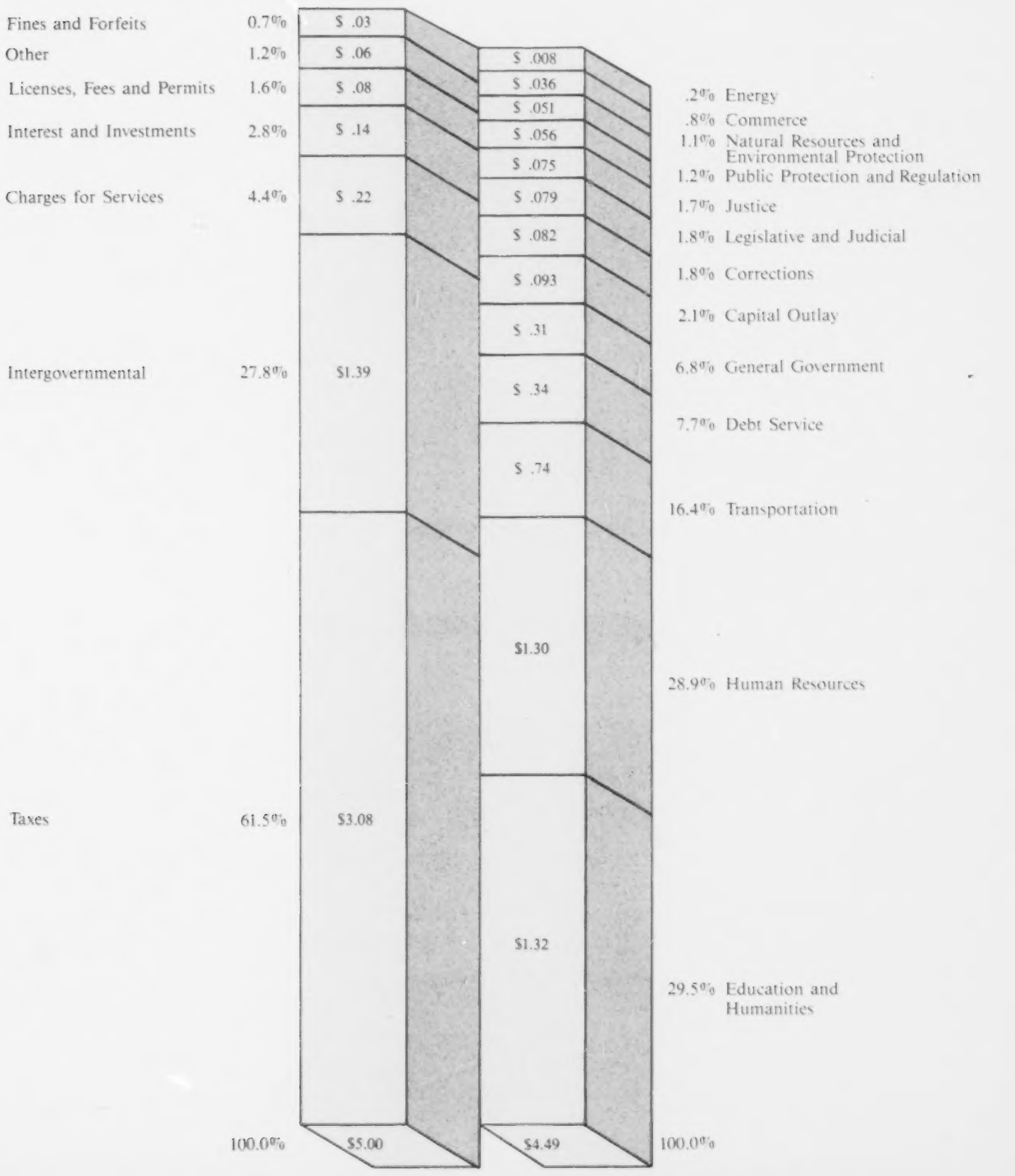
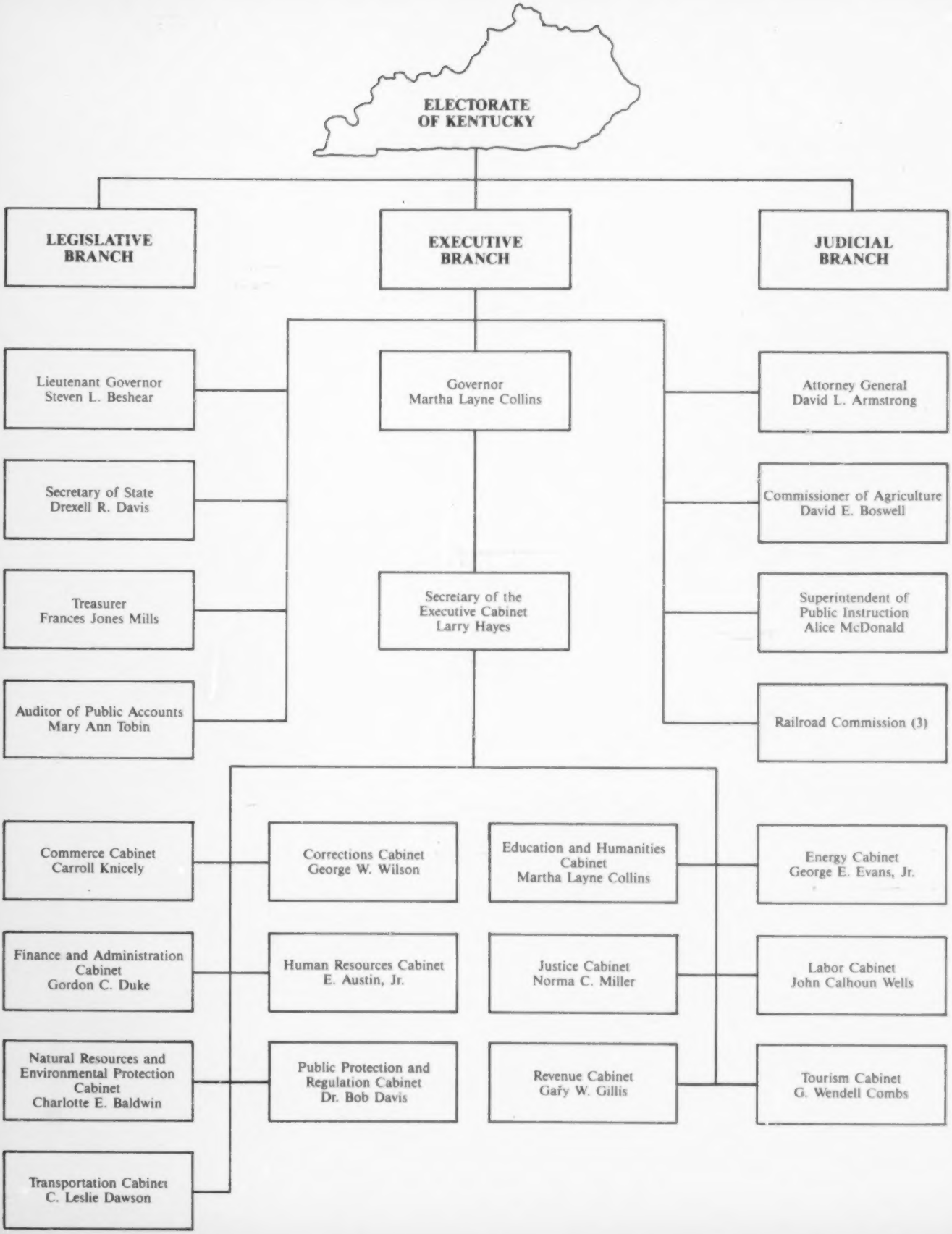


CHART 2
GOVERNMENTAL FUNDS — GAAP BASIS
Fiscal Year 1986
(amounts in billions)




ELECTORATE OF KENTUCKY
LEGISLATIVE BRANCH
EXECUTIVE BRANCH
JUDICIAL BRANCH
Lieutenant Governor Steven L. Beshear
Secretary of State Drexell R. Davis
Treasurer Frances Jones Mills
Auditor of Public Accounts Mary Ann Tobin
Governor Martha Layne Collins
Secretary of the Executive Cabinet Larry Hayes
Attorney General David L. Armstrong
Commissioner of Agriculture David E. Boswell
Superintendent of Public Instruction Alice McDonald
Railroad Commission (3)
Commerce Cabinet Carroll Knicely
Finance and Administration Cabinet Gordon C. Duke
Natural Resources and Environmental Protection Cabinet Charlotte E. Baldwin
Transportation Cabinet C. Leslie Dawson
Corrections Cabinet George W. Wilson
Human Resources Cabinet E. Austin, Jr.
Public Protection and Regulation Cabinet Dr. Bob Davis
Education and Humanities Cabinet Martha Layne Collins
Justice Cabinet Norma C. Miller
Revenue Cabinet Gary W. Gillis
Energy Cabinet George E. Evans, Jr.
Labor Cabinet John Calhoun Wells
Tourism Cabinet G. Wendell Combs

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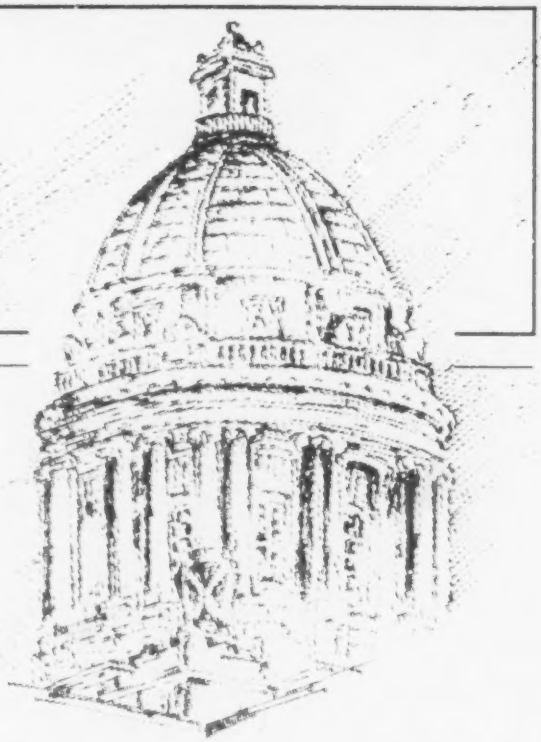


December 30, 1986

To the People of Kentucky
Honorable Martha Layne Collins, Governor
Mr. Gordon C. Duke, Secretary
Finance and Administration Cabinet

We have examined the general purpose financial statements of the Commonwealth of Kentucky as of and for the year ended June 30, 1986, as listed in the Table of Contents. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain component units within the Governmental Funds; the State Fair Board, Kentucky Center for the Arts, and Debt Issuing Authorities within the Proprietary Funds; the Pension Trust Funds within the Fiduciary Funds; and the University and College Fund. These component units represent total assets of 27, 91, 90, and 100 percent; total revenues of 13, 62, 74, and 100 percent; and total expenditures/expenses of 13, 56, 45, and 100 percent, respectively, of the related combined totals of the Governmental Funds, Proprietary Funds, Fiduciary Funds, and University and College Fund. We also did not examine the General Fixed Assets Account Group or the fixed asset and related accounts of the State Parks, Industries for the Blind, and Horse Park within the Proprietary Funds. Those accounts represent 100 percent of the General Fixed Assets Account Group and 6.5 and 4.4 percent of the assets and expenses, respectively, of the Proprietary Funds. These component unit financial statements and fixed asset accounts were audited by other auditors whose reports thereon were furnished to us, except for Murray State University whose audit has not been issued, and our opinion expressed herein, insofar as it relates to the financial statements included for the component units and fixed assets referred to above, is based solely upon the reports of the other auditors.

During the fiscal year, the Commonwealth made several changes in its reporting practices which affected the composition of certain funds and account groups. These changes, with which we concur, included the movement of accumulated unpaid vacation and compensatory time accruals for the Enterprise and Internal Service Funds from the General Long-Term Obligations Account Group to the Proprietary Funds, the movement of the Deferred Compensation System from the Non-expendable Trust Fund to the Agency Fund, and the inclusion of land and buildings in the General Fixed Assets Account Group. These changes had a material effect on the presentation of the Internal Service Fund, the Enterprise Fund, the Trust and Agency Fund, and the General Fixed Assets Account Group as compared to their presentation in prior year financial statements of the Commonwealth.

In our opinion, based on our examination and the reports of other auditors, the general purpose financial statements present fairly the financial position of the Commonwealth of Kentucky at June 30, 1986, and the results of its operations and the changes in financial position of its Proprietary Fund and similar Trust Funds for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year, except as it relates to the Proprietary Fund, the Trust and Agency Fund and the General Fixed Assets Account Group, as discussed in the second paragraph above.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements included in this report on pages 35 through 93 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Kentucky. These statements have been subjected to the auditing procedures applied in the examination of the general purpose financial statements. In our opinion, except for the effects of the matter discussed in the second paragraph above, the combining and individual fund statements are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The statistical and economic data presented in this report on pages 94 through 100 were not audited by us, and accordingly, we do not express an opinion thereon.

Yours for a better Kentucky,

Mary Ann Tobin

Mary Ann Tobin
State Auditor of Public Accounts

" For every new industry, we are competing with Tennessee, with Ohio, with Michigan, with many other states. We must be able to compete with them on every level ... including education, transportation, and labor climate. The key to successful competition, to promoting Kentucky and creating jobs for our people, can be summarized in one word ... unity. "

Gov. Collins
Labor Management Conference
September 9, 1986

General Purpose Financial Statements

COMMONWEALTH OF KENTUCKY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1986
(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and cash equivalents (Note 1)	$ 372,212	$ 718,897	$ 116,391	$ 44,264
Cash with fiscal agents		403	89,638	
Cash on deposit with Federal Government				
Investments, net of amortization (Note 1)		114,101	14,259	40,063
Receivables, net (Note 1)	232,018	129,536	1,325	6,828
Interfund receivables (Note 5)	4,273	72,949	14,866	1,428
Inventories	6,942	30,010		
Land				
Improvements other than buildings				
Buildings and improvements				
Machinery and equipment				
Less accumulated depreciation				
Fixed assets				
Construction in progress				
Amounts available in Debt Service Fund				
Amounts to be provided in future years for retirement of general long-term obligations				
Prepaid expenses				
Deferred charges				
Other assets		117		
Total assets, net	$ 615,445	$1,066,013	$ 236,479	$ 92,583
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	$ 289,337	$ 79,599	$ 26,379	$ 12,381
Accrued liabilities				
Interfund payables (Note 5)	3,084	90,339		2
Deposits and advance payments				
Deferred revenue	43,875	49,541	223	1,917
Bonds payable (Note 9)				
Notes payable (Note 9)				
Lease-purchase obligations (Note 8)				
Compensated absences payable (Note 1)				
Amounts held in custody for others				
Other liabilities		1,384		
Total liabilities	336,296	220,863	26,602	14,300
Fund equity:				
Contributed capital (Note 1)				
Investment in fixed assets				
Retained earnings:				
Reserved for:				
Revenue bond retirement				
Encumbrances				
Unreserved				
Fund balance (Note 1)				
Reserved for:				
Encumbrances		72,040		11,291
Continued appropriations	4,028	101,284		63,841
Revenue bond retirement		12,550	150,279	
Other specific purposes (Note 1)	6,941	504,303		
Unreserved:				
Designated for debt service			59,598	
Designated for universities and colleges				
Undesignated	268,180	154,973		3,151
Total fund equity	279,149	845,150	209,877	78,283
Total liabilities and fund equity	$ 615,445	$1,066,013	$ 236,479	$ 92,583

See accompanying notes to combined financial statements.

Proprietary Fund Types			Fiduciary Fund Types	Account Groups		University & College Fund Types	Total (Memorandum Only)	Total (Memorandum Only)
Enterprise	Internal Service	Debt Issuing Authorities	Trust and Agency	General Fixed Assets	General Long-term Obligations	University	June 30, 1986	June 30, 1985
$ 11,831	$ 14,439	$ 512,221	$ 839,612	$	$	$ 216,455	$ 2,846,322	$ 1,605,347
11,187		293	743			9,871	112,135	100,747
			111,810				111,810	41,191
		448	3,358,695			225,265	3,752,831	4,047,947
1,304	2,480	984,138	225,487			93,091	1,676,207	1,651,603
70	429					31,038	125,053	151,080
3,385	3,562					15,111	59,010	55,439
23,079	919	120		40,352		32,667	97,137	122,805
46,040	370					27,265	73,675	
165,939	10,497	53		359,821		1,024,743	1,561,053	1,258,036
22,115	37,037	1,052		285,204		385,574	730,982	548,870
(75,714)	(21,152)	(98)					(96,964)	(89,841)
			96			11,557	11,653	9,040
1,580				41,541		24,765	67,886	23,543
					209,877		209,877	125,963
					2,308,081		2,308,081	2,197,226
280	13	21,277	6,348				27,918	4,488
								19,378
		1,042	500			8,311	9,970	28,309
$ 211,096	$ 48,594	$1,520,546	$4,543,291	$ 726,918	$2,517,958	$2,105,713	$ 13,684,636	$ 11,901,171
$ 3,886	$ 6,388	$ 46,560	$ 48,019	$	$	$ 39,867	$ 552,416	$ 690,658
						24,244	24,244	29,049
402	55		135			31,036	125,053	151,080
						297	297	354
1,767	627	2,333	62,988			15,818	179,089	136,427
9,597		1,256,693			1,731,292	454,651	3,452,233	3,177,795
353		20,008				3,294	23,655	31,270
891	9,701				1,906		12,498	16,781
2,197	2,592				76,643		81,432	75,205
			154,717			5,890	160,607	55,865
		6,645	48		708,117	4,895	721,089	621,092
19,093	19,363	1,332,239	265,907		2,517,958	579,992	5,332,613	4,985,576
88,403							88,403	75,624
				726,918		1,008,968	1,735,886	1,217,696
11,541		179,261					190,802	173,558
288							288	
91,771	29,231	9,046					130,048	141,719
						5,400	88,731	99,567
							169,153	173,501
							162,829	120,439
			4,094,626			444,895	5,050,765	3,905,731
							59,598	258,041
						66,458	66,458	45,522
			182,758				609,062	704,197
192,003	29,231	188,307	4,277,384	726,918		1,525,721	8,352,023	6,915,595
$ 211,096	$ 48,594	$1,520,546	$4,543,291	$ 726,918	$2,517,958	$2,105,713	$ 13,684,636	$ 11,901,171

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	June 30, 1986	June 30, 1985
Revenues:							
Taxes	$2,648,843	$ 428,295	$	$	$ 250,330	$ 3,327,468	$ 3,199,765
Licenses, fees, and permits		77,988				77,988	79,313
Intergovernmental	3,890	1,358,399		31,034	7,765	1,401,088	1,374,235
Charges for services	1,418	220,072			144	221,634	131,391
Fines and forfeits	29,526	3,736			1,463	34,725	33,880
Interest and other investment income	33,200	73,513	23,070	9,899	11,768	151,450	94,981
Other revenue	21,307	37,589		164	65,209	124,269	153,127
Total revenues	2,738,184	2,199,592	23,070	41,097	336,679	5,338,622	5,066,692
Expenditures:							
Current:							
General government	131,594	173,547			127	305,268	278,558
Legislative and judicial	78,934	186				79,120	70,035
Commerce	19,228	16,746				35,974	33,976
Education and humanities	1,089,048	235,442			2	1,324,492	1,263,760
Energy	6,293	1,256				7,549	3,400
Human resources	404,581	894,028			239,522	1,538,131	1,435,318
Justice	62,022	13,015				75,037	69,543
Natural resources and environmental protection	26,561	24,071				50,632	45,940
Corrections	80,983	724				81,707	77,035
Public protection and regulation	26,866	27,757			69,025	123,648	115,506
Transportation	1,559	737,148				738,707	708,854
Capital outlay				94,167		94,167	79,372
Debt service:							
Principal retirement			66,659			66,659	52,331
Interest and fiscal charges			278,178			278,178	142,391
Other expenditures			50			50	
Total expenditures	1,927,669	2,123,920	344,887	94,167	308,676	4,799,319	4,376,019
Excess of revenues over (under) expenditures	810,515	75,672	(321,817)	(53,070)	28,003	539,303	690,673
Other financing sources (uses):							
Operating transfers in	3,109	153,551	180,044	15,709	950	353,363	298,589
Operating transfers out	(688,912)	(246,109)	(15,029)	(6,111)	(7,757)	(963,918)	(933,667)
Increase (decrease) in inventories	1,066	11				1,077	(527)
Turnpike authority		6,075				6,075	
Capital lease payments	(650)	(139)			(4)	(793)	
Proceeds from sale of bonds			207,824	35,561		243,385	67,862
Increase cash with fiscal agents			26,372			26,372	
Other financing sources (uses) - outside entities	(6,522)	176	5,187	(47)		(1,206)	
Other financing sources (uses) - prior year	59					59	47,301
Total other financing sources (uses)	(691,850)	(86,435)	404,398	45,112	(6,811)	(335,586)	(520,442)
Excess of revenues and other financing sources over (under) expenditures and other uses	118,665	(10,763)	82,581	(7,958)	21,192	203,717	170,231
Fund balance at July 1, 1985, as previously reported	151,943	889,370	125,963	87,818	166,641	1,421,735	1,251,493
Restatements	(4)	(26,701)	1,333	(1,577)	(73)	(27,022)	
Fund balance at July 1, 1985, as restated (Note 2)	151,939	862,669	127,296	86,241	166,568	1,394,713	1,251,493
Equity transfers in (out)	8,545	(6,756)			(127)	1,662	14
Fund balance at June 30, 1986	$ 279,149	$ 845,150	$ 209,877	$ 78,283	$ 187,633	$ 1,600,092	$ 1,421,738

See accompanying notes to combined financial statements.

" Those new and expanding industries create a great deal of attention ... both in Kentucky and across the country. The world business community realizes that Kentucky is on the move and they want to be a part of our growth. "

Gov. Collins
Industry Appreciation Dinner
September 4, 1986

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL BUDGETED FUND GROUPS (NOTE 3)
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	General Fund			Transportation		
	Budget	Actual	Variance-favorable (unfavorable)	Budget	Actual	Variance-favorable (unfavorable)
Revenues:						
Taxes	$2,683,552	$2,648,449	$ (35,103)	$ 351,572	$ 383,835	$ 32,263
Licenses, fees, and permits	17,281	14,079	(3,202)	89,173	62,960	(26,213)
Intergovernmental	3,750	3,890	140		3,824	3,824
Charges for services				25,715	28,099	2,384
Fines and forfeits	25,415	28,903	3,488	200	92	(108)
Interest and other investment income	29,100	32,910	3,810	11,200	9,006	(2,194)
Other revenue	3,452	13,255	9,803	3,465	76,929	73,464
Total revenues	2,762,550	2,741,486	(21,064)	481,325	564,745	83,420
Expenditures:						
General government	637,244	630,697	6,547			
Legislative and judicial	83,326	82,437	889			
Commerce	61,612	58,890	2,722			
Education and humanities	1,267,336	1,241,559	25,777			
Energy	8,635	8,562	73			
Human resources	425,579	422,678	2,901			
Justice	62,762	62,741	21			
Natural resources and environmental protection	26,763	26,711	52			
Corrections	92,827	91,563	1,264			
Public protection and regulation	27,595	26,633	962			
Transportation	3,030	2,005	1,025	573,171	571,657	1,514
Total expenditures	2,696,709	2,654,476	42,233	573,171	571,657	1,514
Excess of revenues over (under) expenditures	$ 65,841	$ 87,010	$ 21,169	$ (91,846)	$ (6,912)	$ 84,934

See accompanying notes to combined financial statements.

Federal			Trust and Agency			Capital Construction		
Budget	Actual	Variance-favorable (unfavorable)	Budget	Actual	Variance-favorable (unfavorable)	Budget	Actual	Variance-favorable (unfavorable)
$	$	$	$	$ 80,120	$	$	$	$
	12			22,901				
	1,365,005			8,648			29,890	
	18			482,295			24,259	
	1			2,676			4	
				20,156			15,015	
	32,093			325,054			85,596	
	1,397,129			941,850			154,764	
51,616	33,794	17,822	668,655	535,261	133,394	83,442	42,979	40,463
38	37	1	101	28	73			
3,365	2,821	544	75,606	63,136	12,470	61,989	34,442	27,547
223,916	215,976	7,940	31,989	27,544	4,445	7,193	3,522	3,671
1,377	1,165	212	589	291	298	154	101	53
914,350	841,573	72,777	74,328	68,169	6,159	26,012	8,058	17,954
4,389	3,946	443	11,811	9,729	2,082	539	39	500
24,653	18,657	5,996	7,531	6,431	1,100	87,739	27,943	59,796
458	367	91	9,321	7,940	1,381	18,064	5,789	12,275
5,718	4,891	827	100,463	94,494	5,969	54	35	19
279,599	276,214	3,385	3,060	767	2,293	970	760	210
1,509,479	1,399,441	110,038	983,454	813,790	169,664	286,156	123,668	162,488
$	$ (2,312)	$	$	$ 128,060	$	$	$ 31,096	$

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Proprietary Fund Types			Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Debt Issuing Authorities	Nonexpendable Trust	Pension Trust	June 30, 1986
Operating revenues:						
Charges for services	$ 48,374	$ 63,713	$ 21,193	$	$	$ 133,280
Contributions				235	422,322	422,557
Interest and other investment income			123,175	60	472,394	595,629
Other revenue	563	116	272		51,688	52,639
Total operating revenues	48,937	63,829	144,640	295	946,404	1,204,105
Operating expenses:						
Personal services	37,063	25,445	8,704			71,212
Utilities, rentals, and other services	13,633	20,707	3,020			37,360
Commodities and supplies	17,704	9,567	100			27,371
Administrative expenses				80	8,617	8,697
Grants and susbsidies	578	1,194	17,235			19,007
Depreciation and amortization	8,894	6,324	4,025		31	19,274
Benefits					211,028	211,028
Refund of contributions					17,623	17,623
Interest			94,898			94,898
Travel	903	206				1,109
Other expenses			8,676	3	14,963	23,642
Total operating expenses	78,775	63,443	136,658	83	252,262	531,221
Operating income (loss)	(29,838)	386	7,982	212	694,142	672,884
Nonoperating revenue (expenses):						
Intergovernmental revenue	730	132				862
Grants and donations	213					213
Membership revenue	165					165
Kentucky Center for the Arts endowment	325					325
Gain (loss) on sale of fixed assets	91	(106)				(15)
Interest and other investment income	1,038					1,038
Interest expense	(483)	(16)				(499)
Judgements and contingencies	(270)	(128)				(398)
Other expenses	(9)					(9)
Total nonoperating revenues (expenses)	1,800	(118)				1,682
Income (loss) before operating transfers	(28,038)	268	7,982	212	694,142	674,566
Operating transfers in	31,699	5,641			8,687	46,027
Operating transfers out	(8,686)	(1,825)			(5,373)	(15,884)
Net income (loss)	(5,025)	4,084	7,982	212	697,456	704,709
Add depreciation on fixed assets acquired by capital grants	4,301					4,301
Increase (decrease) in retained earnings	(724)	4,084	7,982	212	697,456	709,010
Retained earnings at July 1, 1985 - as previously reported	108,650	25,240	181,387	80,370	3,391,731	3,707,211
Restatements	(4,326)	(93)		(80,167)	149	(4,270)
Retained earnings at July 1, 1985 - as previously reported/restated (Note 2)	104,324	25,147	181,387	203	3,391,880	3,702,941
Equity transfers in (out)			(1,062)			(1,062)
Retained earnings at June 30, 1986	$ 103,600	$ 29,231	$ 188,307	$ 415	$4,089,336	$4,410,889

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION-
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Proprietary Fund Types			Fiduciary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Debt Issuing Authorities	Nonexpendable Trust	Pension Trust	June 30, 1986
Sources of working capital:						
Operations:						
Net income (loss)	$ (5,025)	$ 4,084	$ 7,983	$ 212	$ 697,456	$ 704,710
Items not requiring (providing) working capital:						
Depreciation and amortization	8,894	6,324	4,169			19,387
(Gain) loss on sale of fixed assets	(91)	106			(6,981)	(6,966)
Other items not requiring (providing) working capital			(24)			(24)
Working capital provided by operations	3,778	10,514	12,128	212	690,475	717,107
Decrease in long-term receivables			13,728			13,728
Proceeds from sale of long-term investments			647			647
Proceeds from sale of bonds			327,332			327,332
Proceeds from sale of fixed assets	167	152				319
Increase in long-term lease liability		14				14
Other sources of working capital	191	1	28,530			28,722
Total sources of working capital	4,136	10,681	382,365	212	690,475	1,087,869
Uses of working capital:						
Acquisition of fixed assets	3,986	1,876	173			6,035
Decrease in long-term compensated absences	351	1,082				1,433
Decrease in long-term lease obligations	26	4,334				4,360
Decrease in long-term debt	594		176,632			177,226
Increase in noncurrent receivables			22,569			22,569
Purchase of long-term investments			72,077	9	608,585	680,671
Equity transfers out			1,062			1,062
Other uses of working capital		4	5,145		35	5,184
Total uses of working capital	4,957	7,296	277,658	9	608,620	898,540
Net increase (decrease) in working capital	$ (821)	$ 3,385	$ 104,707	$ 203	$ 81,855	$ 189,329
Elements of net increase (decrease) in working capital:						
Cash and cash equivalents	$ (349)	$ 5,813	$ (5,348)	$ 196	$ 57,346	$ 57,658
Cash with fiscal agents	646		(39)			607
Investments, net of amortization			122,252		(26,943)	95,309
Accrued investment income					(9,898)	(9,898)
Receivables, net	153	832	1,417	7	49,480	51,889
Interfund receivables	(134)	96				(38)
Inventories	328	824				1,152
Prepaid expenses	(86)	13			(11)	(84)
Other assets			16		11,973	11,989
Accounts payable	67	(2,941)	(11,319)		(108)	(14,301)
Interfund payables	(178)	(6)				(184)
Deferred revenue	(161)	856	(1,131)			(436)
Current portion of compensated absences	(874)	(1,404)				(2,278)
Current portion of long-term debt	(7)		(1,136)			(1,143)
Current portion of lease purchase obligations	(226)	(698)				(924)
Other liabilities			(5)		16	11
Net increase (decrease) in working capital	$ (821)	$ 3,385	$ 104,707	$ 203	$ 81,855	$ 189,329

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
ALL UNIVERSITY AND COLLEGE CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Unrestricted	Restricted	Total June 30, 1986
Revenues:			
Tuition and fees	$ 122,630	$ 36	$ 122,666
Federal grants and contracts	13,474	52,772	66,246
State/local grants and contracts	11,005	19,946	30,951
Private gifts, grants, and contracts	6,863	17,366	24,229
Endowment income	755	1,409	2,164
Sales and services of educational activities	18,156		18,156
Sales and services of auxiliary enterprises and hospitals	164,857	325	165,182
Other revenue	35,559	590	36,149
Total current revenues	373,299	92,444	465,743
Expenditures and transfers:			
Educational and general:			
Instruction	274,160	8,411	282,571
Research	23,741	22,419	46,160
Public service	52,774	14,790	67,564
Academic support	49,573	5,339	54,912
Libraries	24,552	633	25,185
Student services	35,724	2,636	38,360
Institutional support	63,602	894	64,496
Student financial aid	16,319	36,454	52,773
Maintenance and operation	65,683	1,855	67,538
Other expenditures	58	18	76
Total educational and general expenditures	606,186	93,449	699,635
Mandatory transfers for:			
Principal and interest	30,681	1,030	31,711
Current fund - unrestricted		(277)	(277)
Current fund - restricted	277		277
Loan fund	103		103
Retirement of indebtedness	431		431
Non-mandatory transfers for:			
Current fund - unrestricted		452	452
Auxiliary enterprises and hospitals - unrestricted	(385)	(91)	(476)
Current fund - restricted	(452)		(452)
Loan fund	(1)		(1)
Endowment and similar fund	223	1,069	1,292
Foundations	(6,317)	(4,943)	(11,260)
Unexpended plant fund	14,868	1,644	16,512
Renewal and replacement	373		373
Retirement of indebtedness	(1,168)		(1,168)
Total educational and general	644,819	92,333	737,152
Auxiliary enterprises and hospitals:			
Expenditures	142,654	813	143,467
Mandatory transfers for:			
Principal and interest	7,440		7,440
Renewal and replacement	53		53
Retirement of indebtedness	64		64
Non-Mandatory transfers for:			
Current fund - unrestricted	385		385
Current fund - restricted	91		91
Foundations	(3,419)		(3,419)
Unexpended plant fund	14,949		14,949
Renewal and replacement	2,072		2,072
Retirement of indebtedness	(505)		(505)
Investment in plant	439		439
Total auxiliary enterprises and hospitals	164,223	813	165,036
Total expenditures and transfers	809,042	93,146	902,188
Other transfers and additions (deductions):			
Transfers from the State Treasury	444,497		444,497
Excess of restricted receipts over transfers to revenues		2,969	2,969
Indirect cost recovered	2,256		2,256
Refunds to grantors		(27)	(27)
Other transfers and additions (deductions)	(10)		(10)
Net increase (decrease) in fund balance	$ 11,000	$ 2,240	$ 13,240

See accompanying notes to combined financial statements.

" I assure you there is nothing more important for every Kentucky youngster, there is nothing we can do for them more important than seeing that they have the chance for a sound education. "

Gov. Collins
NAACP Annual Convention
September 20, 1985

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
ALL UNIVERSITY AND COLLEGE FUNDS
JUNE 30, 1986
(Expressed in Thousands)

	Current Funds			Endowment and	
	Unrestricted	Restricted	Loan	Similar	Foundations
Revenues and other additions:					
Educational and general revenues	$ 202,108	$ 194	$	$	$
Auxiliary enterprises and hospitals revenues	164,857				
Indirect cost recovered	2,256				
Restricted grants and contracts		91,613	929		33,143
Restricted gifts and grants		2,261	32	1,233	22,910
Restricted investment income		515			
Endowment income		1,576			
Interest income			1,474	736	8,758
Expended for plant facilities					
Retirement of indebtedness					
Other revenues and other additions	6,354	79	348	1,299	20,684
Total revenues and other additions	375,575	96,238	2,783	3,268	85,495
Expenditures and other deductions:					
Educational and general expenditures	606,186	93,281			
Auxiliary enterprises and hospitals expenditures	142,654	813			
Indirect cost recovered		946			
Refunds to grantors		27	201		
Administrative, collection, and litigation costs		45	665		
Loan cancellations			833		
Payment to beneficiaries					
Expended for plant facilities					963
Retirement of indebtedness					
Interest payments					
Return of state grants					
Disposal of plant facilities					
Notes issued					
Other expenditures and other deductions	30	2	242		44,961
Total expenditures and other deductions	748,870	95,114	1,941	0	45,924
Transfers among funds - additions (deductions)					
Mandatory transfers for:					
Principal and interest	(38,121)	(1,030)			
Current fund - unrestricted		277	103		
Current fund - restricted	(277)				
Loan fund	(103)				
Unexpended plant fund					
Renewal and replacement	(53)				
Retirement of indebtedness	(495)				
Non-mandatory transfers for:					
Current fund - unrestricted		(361)	(1)	223	(9,736)
Current fund - restricted	361			1,069	(4,943)
Loan fund	1			(47)	(19)
Endowment and similar fund	(223)	(1,069)	47		(250)
Foundations	9,736	4,943	19	250	
Unexpended plant fund	(29,817)	(1,644)			(4,379)
Renewal and replacement	(2,445)				
Retirement of indebtedness	1,673				
Investment in plant	(439)				(355)
State Treasury	444,497				
Total transfers among funds	384,295	1,116	168	1,495	(19,682)
Increase (decrease) in fund balance	11,000	2,240	1,010	4,763	19,889
Fund balance at July 1, 1985, as previously reported	93,603	22,323	49,252	69,469	63,198
Restatements	328	26	85	(44,280)	43,130
Fund balance at July 1, 1985, as previously reported/restated	93,931	22,349	49,337	25,189	106,328
Fund balance at June 30, 1986	$ 104,931	$ 24,589	$ 50,347	$ 29,952	$ 126,217

See accompanying notes to combined financial statements.

Plant Funds				
Unexpended Plant	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	Total June 30, 1986
$	$	$	$	$ 202,302
				184,857
				2,256
977		458		127,120
1,907	5		13,862	42,210
				515
				1,579
1,370	543	4,685		17,566
436			61,796	62,232
			13,792	13,792
15,673		6,570	736	51,743
20,363	548	11,713	90,186	686,169
				699,467
				143,467
				946
				228
				710
				833
				963
28,288	1,123			29,411
		20,477		20,472
248		28,338		28,586
7			1,312	1,319
			8,525	8,525
8,041			5,601	13,642
		30	(1,488)	46,751
36,584	1,123	48,850	16,906	995,327
		39,268		117
	53	378		811
				(377)
				(103)
		654		654
				(53)
(654)				(1,149)
29,817	2,445	(1,673)	439	71,153
1,644				(1,869)
				(65)
				(1,495)
4,379			355	19,682
	(1,239)	738		(36,341)
1,239				(1,296)
(738)				935
				(794)
				444,497
35,687	1,259	39,365	794	444,497
19,466	684	2,218	74,074	135,344
71,869	9,166	41,355	971,004	1,391,239
			(151)	(862)
71,869	9,166	41,355	970,853	1,390,377
$ 91,335	$ 9,850	$ 43,573	$1,044,927	$1,525,721

Note 1 - Significant Accounting Policies

A. Basis of Presentation - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB); and by Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants (AICPA). The financial statements for the University and College Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the National Association of College and University Business Officers and Audits of Colleges and Universities issued by the AICPA.

B. Scope of Entity - The accompanying financial statements include all fund types and account groups of the offices of statewide elected constitutional officers; all cabinets and agencies within the executive branch; the General Assembly and its support agency, the Legislative Research Commission; the Supreme Court, Court of Appeals, and their support agency, the Administrative Office of the Courts; the state-supported universities, and the statutory boards and commissions. Oversight responsibility for these governmental organizations is vested in constitutionally established, elected offices. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and scope of public service.

Interstate commissions, where oversight responsibility is remote, are not considered part of the Commonwealth's reporting entity.

C. Fund Structure and Basis of Accounting - The accompanying financial statements are structured into four fund categories and two account groups. The fund categories include governmental funds, proprietary funds, fiduciary funds, and university and college funds. Account groups are presented for general fixed assets and general long-term obligations.

Governmental funds include:

1. General Fund - accounts for financial resources appropriated by the General Assembly which are not required to be accounted for in another fund;

2. Special Revenue Funds - account for specific revenue sources, other than for expendable trusts or major capital projects, (except for Turnpike Authority resource recovery roads), dedicated to specific operations;

3. Debt Service Fund - accounts for the accumulation of resources for, and the payment of, general long-term obligation principal and interest, and related administrative costs; and

4. Capital Projects Fund - accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment, other than those financed by proprietary funds, certain trust funds, and university and college funds.

All of the governmental funds are accounted for on the modified accrual basis of accounting. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Principal revenue sources accounted for on the modified accrual basis include federal grants, sales and use tax, coal severance tax, departmental fees, and interest income. Income taxes, motor vehicle registration fees, and fines and forfeitures are accounted for on the cash basis. Expenditures are recorded at the time liabilities are incurred except:

a. Inventories generally are considered expenditures at acquisition;
b. Prepayments usually are accounted for as expenditures of the period of acquisition; and
c. Interest on long-term debt is recorded when paid.

Proprietary funds include:

1. Enterprise Funds - account for the Commonwealth's operations where the intent is that costs of providing goods and services primarily to the general public be financed chiefly through customer charges; and

2. Internal Service Funds - account for financing goods and services provided by one agency of the Commonwealth primarily to other agencies or governments on a cost reimbursement basis.

3. Public Benefit Corporations - in compliance with NCGA Statement No. 3, "Defining the Governmental Reporting Entity", the Commonwealth has included in the general purpose financial statements several organizations which meet the criteria established by Statement No. 3. The criteria for inclusion was determined on the basis of accountability for fiscal matters, designation of management, ability to significantly influence operations, selection of governing authority, scope of public service, and any special relationships. The inclusion of an organization in no way alters the defined prerogatives of the management of the organization, the organization's charter, statutory authority, or legal characteristics or conditions. Seven such organizations have been included in the Proprietary Fund Type classification of the Commonwealth. They are: The Kentucky Center for the Arts, Inc., Kentucky Housing Corporation, Kentucky Pollution Abatement and Water Resources Finance Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Development Finance Authority, Kentucky Agricultural Finance Authority, and Kentucky Local Correctional Facilities Construction Authority. All organizations have been audited by independent certified public accounting firms and the amounts reported are based solely on the audited reports provided by those organizations.

All of the proprietary funds are accounted for on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and become measurable. Expenditures are recorded at the time liabilities are incurred.

Fiduciary Funds include:

1. Expendable Trust Funds - account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes.

2. Nonexpendable Trust Fund - accounts for assets held by the Commonwealth as a legal trustee in situations requiring that the principal be preserved intact and only the interest be expended as designated.

3. Pension Trust Funds - account for monies received for, expenses incurred by, and net assets available for plan benefits of the various public employee retirement systems. The Pension Trust Funds are audited by independent certified public accountants and are reported based on the auditor's reports.

4. Agency Funds - account for monies held by the Commonwealth for custodial purposes only.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting and are reported as a governmental fund type. Nonexpendable and Pension Trust Funds are accounted for on the accrual basis of accounting and reported as proprietary fund types.

University and College Funds include:

1. Current Funds - account for economic resources of the institution which are expendable for any purpose in performing the primary objectives of the institution and which have not been designated by the governing body for any other purpose; and for resources restricted for specific current operating purposes by a donor or other external agency;

2. Fiduciary Funds - account for assets held by loan, endowment, life income, and agency funds in which the universities act in a fiduciary capacity; and

3. Plant Funds - account for institutional property acquisition, renewal, replacement, debt service, and investment.

4. Affiliated Corporations - account for the activities of not-for-profit corporations which are affiliated with the various state universities. The not-for-profit corporations are considered to be affiliates of their respective universities due to interlocking Boards of Directors and officers who also serve as officers of the Universities. University of Kentucky affiliates are: University of Kentucky Research Foundation, The Fund for Advancement of Education and Research in the University of Kentucky Medical Center, University of Kentucky Athletic Association, Health Care Collection Services, Inc., University of Kentucky Mining Engineering Foundation, Inc., and University of Kentucky Business Partnership Foundation, Inc. Murray State University affiliate is the Murray State University Foundation, Inc. Eastern Kentucky University affiliate is the Eastern Kentucky University Foundation, Inc. Western Kentucky University affiliate is the College Heights Foundation, Inc. University of Louisville affiliate is University of Louisville Foundation, Inc. Northern Kentucky University affiliate is the Northern Kentucky University Foundation, Inc. Kentucky State University affiliate is the Kentucky State University Foundation, Inc.

The university and college funds are accounted for on the accrual basis of accounting.

Account Groups include:

1. General Fixed Assets Account Group - accounts for fixed assets acquired or constructed for general governmental purposes; other than those of the proprietary, fiduciary, and university and college fund types; and

2. General Long-Term Obligation Account Group - accounts for unmatured general long-term liabilities of the Commonwealth other than those of the proprietary, fiduciary, and university and college fund types.

   Certain obligations included in the General Long-Term Obligations Account Group for the State Property and Buildings Commission are also reflected in the statements as investments. The unemployment compensation administration accounts have been invested in obligations of the State Property and Buildings Commission per KRS 341.296. These are Project 2 Series J bonds and Project 11 series A and B bonds.

D. Budget - Biennium budgets are prepared principally on the cash basis, are adopted as amended by the General Assembly, and are enacted into law by the passage of appropriation acts. Separate appropriations are enacted for each fiscal year of a biennium. The appropriation acts authorize the maximum amount to be expended by each budget unit. In accordance with the applicable statutes, appropriations can be amended by the Secretary of the Finance and Administration Cabinet. Budgetary control is maintained at the budget unit (i.e., function, major program area,

program, or unit of organization). Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end for long-term construction contracts and other commitments of a continuing nature are reported as reservations of fund balance for subsequent year expenditure. All other encumbered and unencumbered appropriations lapse at the end of each fiscal year except Capital Projects and Transportation Funds. Encumbrances are carried forward as revisions to appropriations. Revenues are budgeted only for the General Fund and the Transportation Fund.

General Fund appropriations for the fiscal year ended June 30, 1986, were $2,696,708,845. This represents regular appropriations of $2,649,857,600 and statutory revisions of $46,851,245. Transportation Fund appropriations were $1,175,612,778 for the same period. This was made up of $480,875,000 regular appropriations and $694,737,778 of statutory revisions.

Capital projects are budgeted by project for the total project cost. Although a "budget" for capital projects is authorized annually, this annual budget is the total authorized appropriations for new projects and approved revisions in the projects in progress. Therefore, the annual budget does not control the annual expenditures.

The amounts presented as budgeted expenditures for the Capital Construction Fund in the accompanying Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Budgeted Fund Groups, represent the maximum expenditure authority for the fiscal year. As of June 30, 1986, total project expenditures of $884,974,198 had been expended against total appropriations of $1,047,461,779, leaving unexpended appropriations of $162,487,581.

Federal Fund appropriations of $66,335,300 for the Commonwealth's universities are shown in the budgetary Trust and Agency Fund under the General Government function.

Since the budget fund structure differs from the financial statement fund structure, and since the annual budget is prepared principally on the cash basis, which basis differs from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statements are presented on the budgetary fund structure. A reconciliation between the budgetary basis and the GAAP basis is presented in Note 3.

E. Cash and Cash Equivalents - In addition to bank accounts and imprest cash, this classification includes short-term investments such as certificates of deposit, U. S. Treasury bills, and repurchase agreements. Cash equivalents are stated at cost, which approximates market.

F. Investments - This classification includes long-term investments, principally the portfolios of the Pension Trust Funds, which are stated at cost or amortized cost. At June 30, 1986, the market value of these investments approximated $3,752,831,000.

G. Receivables - Receivables in the Commonwealth's governmental and fiduciary funds primarily consist of federal revenues, taxes, and interest on investments. Some governmental fund revenues are not susceptible to accrual prior to receipt, including licenses, fees, permits, and similar revenues which are recognized on the cash basis. Receivables in all other funds have arisen in the ordinary course of business. Receivables in the governmental funds are reported net of allowances for uncollectibles, where applicable, amounting to $226,792,265. The Kentucky Reinsurance Association was created by Kentucky Revised Statute 342.123 in 1983 to provide funding to meet future workers' compensation claims. The Kentucky Reinsurance Association by this statute was enpowered to assess certain insurance carriers amounts necessary to meet estimated future liabilities for workers' compensation claims. As of June 30, 1986, the Association has assessed and collected only $10 million. No receivable has been recorded for prior period liabilities which may be assessed in the future.

H. Interfund Transactions - The Commonwealth has the following types of interfund transactions:

1. Quasi-external transactions - Charges for services rendered by one fund to another that are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund;

2. Reimbursements - Reimbursement of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund;

3. Residual Equity Transfers - Nonroutine or nonrecurring transfers between funds are reported as additions to or deductions from the fund equity balance; and

4. Operating Transfers - Legally authorized transfers other than residual equity transfers are reported as operating transfers in the financial statements.

The composition of the interfund receivables and payables at June 30, 1986, is presented in Note 5.

I. Inventories - Inventories in the governmental funds and similar trust funds consist of expendable supplies held for consumption, the costs of which are recorded as an expenditure at the time of purchase. Reserves of fund balance have been established for the inventory balances for governmental funds. Inventories in the proprietary funds and similar trust funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the costs of which are recorded as an expense as they are used. Inventories are valued at cost (first-in, first-out, or average cost).

J. Fixed Assets and Depreciation

1. General Fixed Assets - All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition. Fixed assets are valued in the General Fixed Assets Account Group at historical cost or estimated historical cost if historical cost is not available. Historical cost has been estimated for approximately ninety (90) percent of the Commonwealth's buildings accounted for in the General Fixed Assets Account Group. The estimate of historical cost was based on current appraised value indexed to date of acquisition. Donated equipment is reported at estimated fair market value at the time received. Also certain public domain (infrastructure) general fixed assets such as highways, curbs, bridges, and right-of-ways are not capitalized. No depreciation is provided on general fixed assets.

2. Proprietary and Similar Fiduciary Fund Types - Fund fixed assets acquired or constructed have been stated at historical cost, estimated historical cost, or fair value at time of acquisition. Historical cost has been estimated for approximately fifty (50) percent of buildings accounted for in the proprietary funds. The estimate of historical cost was based on current appraised value indexed to date of acquisition. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 5 to 50 years for Buildings and Improvements and 3 to 25 years for Machinery and Equipment.

3. University and College Fund Type - Fixed assets in the university and college fund type are stated at cost or fair market value. Depreciation is not recognized on university fixed assets.

4. It is the Commonwealth's policy not to capitalize interest expense incurred on significant assets during their construction.

K. Fund Equity Reserves and Designations - The Commonwealth's fund balance reserves represent those portions of fund balance 1) not appropriable for expenditure, or 2) legally segregated for a specific future use. Designated portions of fund balance represent tentative managerial plans for financial resource utilization in a future period.

Fund Balance Reserved for Other Specific Purposes

	General	Special Revenue	Trust and Agency	Universities
Loans	$	$ 25,109	$	$
Investments		3,519	5,290	
Capital Outlay				128,893
Inventories	6,941	30,010		
Employee Retirement Systems			4,089,335	
Restricted gifts, agents, and contracts				316,212
Compensating balance with depositories		815		
Toll road construction		444,850		
Total	$ 6,941	$ 504,303	$4,094,625	$ 445,105

L. Long-Term Obligations - Long-term liabilities that will be financed from governmental funds and expendable trust funds are accounted for in the General Long-Term Obligations Account Group. These long-term liabilities include the following:

1. Payments of principal and interest for general obligation debt and revenue bonds which are recorded as expenditures in the Debt Service Fund.

2. Compensated absences reported in the General Long-Term Obligations Account Group include all accumulated unpaid vacation and compensatory time accruals, except for the pension trust funds. The amount accruing to proprietary funds has been included in the respective funds.

   The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 13.13 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. At June 30, 1986, the estimated liability for accrued annual leave for the governmental and proprietary funds was $63,689,872 and $3,912,080 respectively. Compensatory leave is granted to authorized employees on an hour-for-hour basis. At June 30, 1986, the estimated liability for compensatory leave in the governmental and proprietary funds was $12,953,655 and $876,139, respectively.

   Sick leave is earned one day per month with unlimited accumulation. A maximum of six (6) months of a qualifying retiring employee's sick leave balance, expressed in months, shall be added to their service credit for the purpose of determining their annual retirement. There is no liability in the accompanying financial statements for unpaid accumulated sick leave, since it is the Commonwealth's policy to record the cost of sick leave only when paid. See Note 11 for disclosure of the amount of this contingency.

3. Outstanding capital lease obligations for governmental funds and expendable trust funds are reported in the General Long-Term Obligations Account Group.

   Long-term liabilities of all proprietary, nonexpendable trust and pension trust funds are accounted for in the respective funds.

4. Workers compensation claims, which have been awarded and will be paid from the Special Benefits Fund, are $707,995,985. Approximately $62,000,000 of this amount will be paid during the 1986-87 fiscal year, and the remainder will be paid in future periods.

M. Contributed Capital - The Enterprise Funds received proceeds of revenue bonds for the acquisition of specific fixed assets. The debt service for these bonds is paid by the Commonwealth's General Fund and the liability is reported in the General Long-Term Obligations Account Group. The assets acquired with the proceeds of the revenue bonds are accounted for in the Capital Projects Fund until completion, at which time, the fixed assets are transferred to the appropriate Enterprise Fund with an offsetting entry to contributed capital.

Contributed capital at June 30, 1985, as restated	$104,425
Additions fiscal year 85-86	2,755
Total contributed capital at June 30, 1986	107,180
Less: Amortization through June 30, 1986	18,777
Total contributed capital at June 30, 1986, net	$ 88,403

N. Total - Memorandum Only - The "Total - Memorandum Only" column represents an aggregation of the individual combined financial statements. The total column is presented for overview informational purposes and does not represent consolidated financial information.

Note 2 - Changes in Accounting Principles, Reporting Practices, and Prior Period Adjustments - The fund balances as previously reported have been restated to more closely conform to generally accepted accounting principles and correct balances for erroneous transactions.

The following table summarizes the restatement of fund equities as of July 1, 1986, to give effect to these changes (amounts expressed in thousands):

Financial Statement Fund Types	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Fund balances/retained earnings June 30, 1985, as previously reported	$151,943	$889,370	$125,963	$ 87,818	$ 108,650	$ 25,240
Prior period adjustments		(14,541)				
Changes in accounting principles and reporting practices:						
To report compensated absences in the appropriate fund					(1,675)	(2,270)
To report construction in progress in the appropriate fund				(1,564)	2,126	
To report land in the general fixed assets account group						
To report buildings in the general fixed asset account group						
Other	(4)	(12,160)	1,333	(13)	(4,777)	2,177
Fund balance/retained earnings July 1, 1985, as restated	$151,939	$862,669	$127,296	$ 86,241	$ 104,324	$ 25,147

Note 3 - Budgetary Basis vs. GAAP - The accompanying Combined Schedule of Revenues, and Expenditures - Budget and Actual (Budgetary Basis) - All Budgeted Fund Groups, presents comparisons of the legally adopted budget (see Note 1D) with actual data on a budgetary basis. The legally adopted budget of the Commonwealth uses a budgetary Trust and Agency Fund which includes the following GAAP basis funds or fund types: Agency Revenue Fund within the Special Revenue Fund type; Enterprise Funds; Internal Service Funds; and Special Benefits Fund which is an Expendable Trust Fund.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant differences in excess of revenues over (under) expenditures and other sources (uses) of financial resources for the year ended June 30, 1986, is presented in the following table (amounts expressed in thousands):

Budgetary Funds	General	Transportation	Federal	
Financial Statements Funds	General	Special Revenue		
		Transportation	Federal	Agency Revenue
Excess of revenues over (under) expenditures (budgetary basis)	$ 87,010	$ (6,912)	$ (2,312)	$ 23,626
Nonbudgeted financing sources (uses)	(320)			
Excess of revenues and nonbudgeted financing sources over (under) expenditures and nonbudgeted financing uses (budgetary basis)	86,690	(6,912)	(2,312)	23,626
Adjustments:				
To adjust revenues for accruals	(3,302)	(71,978)	(44,644)	(432,569)
To adjust expenditures for accruals	727,127	104,496	42,642	358,630
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis) - budgetary classifications	810,515	25,606	(4,314)	(50,313)
Reclassifications and other adjustments:				
To reclassify excess of revenues and other financing sources over (under) expenditures and other financing uses into financial statement fund types	(691,850)	(30,805)	(2,407)	64,871
Excess (deficiency) of revenues and other sources (GAAP basis)	$ 118,665	$ (5,199)	$ (6,721)	$ 14,558

Expendable Trust	Nonexpendable Trust	Pension Trust	General Fixed Assets Account Group	Universities and College Funds	All Fund Types and Account Groups Totals (Memorandum Only)
$ 166,641	$ 80,370	$3,391,731	$ 239,617	$1,391,239	$6,839,969
					(14,541)
					(3,945)
			50,383		50,945
			40,142		40,142
			351,603		351,603
(73)	(80,167)	149	12,118	(862)	(82,279)
$ 166,568	$ 203	$3,391,880	$ 693,863	$1,390,377	$7,181,894

Trust and Agency			Capital Construction
Enterprise	Internal Service	Special Benefits	Capital Projects
$ (2,130)	$ 437	$ 106,127	31,096
(2,130)	437	106,127	31,096
(569)	4,556	(131,002)	(113,667)
(25,935)	(4,60[illegible]	71,231	29,501
(28,634)	386	46,356	(53,070)
23,465	3,698	(3,990)	45,112
$ (5,169)	$ 4,084	$ 42,366	$ (7,958)

Note 4 - General Fixed Assets - A statement of changes in general fixed assets for the year ended June 30, 1986, is presented below (amounts expressed in thousands):

	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Totals
Revised Balance, July 1, 1985	$ 40,142	$ 351,603	$ 251,735	$ 50,383	$ 693,863
Additions	210	8,218	45,140	14,609	68,177
Deletions			11,671	23,451	35,122
Balance June 30, 1986	$ 40,352	$ 359,821	$ 285,204	$ 41,541	$ 726,918

Note 5 - Interfund Receivables and Payables - A summary of interfund receivables and payables at June 30, 1986, is shown in the table below (amounts expressed in thousands):

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	University and College	Total
Interfund Receivables	$ 4,273	$ 72,949	$14,866	$ 1,428	$ 70	$ 429	$	$ 31,038	$ 125,053
Interfund Payables	3,084	90,339		2	402	55	135	31,036	125,053

Interfund transactions involving universities and other entities, which are reported using the audit reports of independent certified public accountants, have been classified as accounts payable or accounts receivable. This is necessary since the independent auditors do not report it as an interfund transaction.

Note 6 - Pension Plans - The Commonwealth sponsors the following defined public employment retirement systems (PERS):

Kentucky Employes Retirement System - covers substantially all regular full-time employees of any state department, board, or agency directed by Executive Order to participate in the System.

State Police Retirement System - covers substantially all regular full-time officers of the Kentucky State Police.

Teachers' Retirement System - covers substantially all persons occupying positions in the public elementary or secondary schools for which a certificate is required, faculty members of five regional universities, the Superintendent of Public Instruction and her professional staff, the faculty members of the School for the Deaf, School for the Blind, and the state and area vocational schools.

Judicial Form Retirement System covers two plans:

Judicial Retirement Plan - covers all District Judges, Circuit Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

Legislators' Retirement Plan - covers all members of the General Assembly.

County Employes Retirement System - covers substantially all regular full-time employees of each county and school board electing to participate in the System, and any additional local agencies electing to participate.

Kentucky Retirement Systems Insurance - accounts for the accident and health insurance for members receiving benefits from the Kentucky Employes Retirement System, County Employes Retirement System, and State Police Retirement System.

These systems provide for employee contributions, based on fixed percentages ranging from 3.0% to 9.6%, applied to an employee's annual compensation, to supplement contributions provided by the Commonwealth. Funding by the Commonwealth is determined by the General Assembly and is based, in part, on actuarial consultations, generally without regard to pension expense calculated in accordance with the provisions of APB Opinion No. 8.

The following summarizes the actual present value of accumulated PERS plan benefits as of June 30, 1986 (amounts expressed in thousands):

Vested benefits:	
Pensioners and beneficiaries	$ 1,651,624
Members	2,412,200
Nonvested benefits	127,686
Total	$ 4,191,510

Present value of accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the plans' provisions to the services employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. The accumulated plan benefits for active employees are based on their average compensation during the years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided under annuity contracts are excluded from accumulated plan benefits.

The actuarial present value of accumulated plan benefits for each plan has been determined by consulting actuaries. This amount results from applying actuarial assumptions to adjust the total accumulated plan benefits to reflect the time value of money (through discounts for interest at the rates shown below) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The most recent actuarial valuation date for all plans was June 30, 1986, except Judicial Retirement Plan and Legislators' Retirement Plan which was June 30, 1985, and Teachers' Retirement System (TRS) which was June 30, 1984. All plans use the Entry Age Normal Actuarial Cost Method except for TRS which uses the Unit Credit Actuarial Cost Method. Assumed rates of return on investments ranged from 7.00% to 8.00%, and assumed salary increases taken into account in determining plan obligations under actuarial cost method ranged from 5.20% to 9.30%. Various mortality tables were used, and the rate of turnover without vested benefits assumed a high scale at younger age levels, becoming progressively lower as age advances, consistent with the plans' experience. No significant amendments to the plans were made during fiscal year 1986.

Note 7- Deferred Compensation - Commonwealth employees are eligible to participate in a deferred compensation plan. All costs of administering and funding the plan are the responsibility of the plan participants. The Commonwealth makes no contributions. At June 30, 1986, contributions of $99 million have been deposited by Commonwealth employees (including accumulated earnings) in the Kentucky Public Employees Deferred Compensation System, and invested by the financial institution administering the plan. In accordance with Section 457 of the Internal Revenue Service Code, the assets are available to the general creditors of the Commonwealth should the need arise.

Note 8 - Lease Obligations - The Commonwealth has entered into various leases for land, buildings, and equipment. Generally leases contain termination clauses providing for cancellation after 30, 60, or 90 days written notice. In addition, certain leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

At June 30, 1986, capitalized leases included equipment as follows (amounts expressed in thousands):

	Proprietary Fund Types	General Fixed Assets
Equipment	$ 16,733	$ 4,060
Less: Accumulated amortization	$ 7,681	0
	$ 9,052	$ 4,060

Future minimum rental commitments for noncancellable leases as of June 30, 1986, were as follows (amounts expressed in thousands):

	Long-term Obligations Account Group	Enterprise Funds	Internal Service Funds	Total
1987	$ 1,168	$ 431	$ 5,086	$ 6,685
1988	842	414	4,166	5,422
1989	305	177	1,640	2,122
1990	97	16		113
1991	19			19
Thereafter				
Total	2,431	1,038	10,892	14,361
Less: Amounts representing Interest (5 to 32%)	525	147	1,191	1,863
Present minimum value of future lease payments	$ 1,906	$ 891	$ 9,701	$ 12,498

Changes in leases payable accounted for in the general long-term obligation account group for the year ended June 30, 1986, are summarized in Note 9.

Note 9 - Bonds and Notes Payable - General obligation bonds are issued through the State Property and Buildings Commission. The Kentucky Constitution requires general referendum approval of any issue of general obligation bonds. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new bonds of this type have been issued since 1965, and there are no general obligation bonds authorized but unissued at June 30, 1986.

General obligation bonds outstanding of June 30, 1986, are as follows (amounts expressed in thousands):

Purpose	Outstanding	
	Interest Rate	Amount
Various Purpose	3.25% to 4.75%	$ 15,605
Parks	1.00% to 5.75%	2,080
Veterans Bonus	0.10% to 6.00%	29,080
Highway	1.25% to 6.75%	117,885

Future general obligation debt service requirements at June 30, 1986, are as follows (amounts expressed in thousands):

Year Ending June 30,	Principal	Interest	Total
1987	22,170	6,585	28,755
1988	23,020	5,744	28,764
1989	23,925	4,867	28,792
1990	24,875	3,951	28,826
1991	12,955	3,160	16,115
Thereafter	57,705	6,484	64,189
	$ 164,650	$ 30,791	$ 195,441

Revenue Bonds:
General authorization for the use of project revenue debt is contained in Chapter 58 of the Kentucky Revised Statutes. The authority for each debt entity to issue project revenue debt is contained in the legislation creating each entity. Reference to this legislation is made in the following descriptions of the debt entities. Effective July 15, 1980, KRS 56.870 requires prior approval of debt financing projects by the Kentucky General Assembly sitting in regular or special session. Succeeding statutes establish the methods of this approval and the exemptions of it. The majority of new debt issues are approved through the appropriation act. Per KRS 56.873 effective July 15, 1980, revenue bonds having passed the above mechanisms, and not requiring state appropriations, must receive an "A" rating by Moody's Investors Service or the equivalent rating by another qualified rating agency prior to their sale.

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment, and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued by seven state debt issuing entities (Kentucky Housing Corporation, Kentucky Pollution Abatement Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Authority and Kentucky School Building Authority) is used as a financing mechanism for activities and facilities not used directly for state purposes. The tax-exempt status of such "municipal debt," whether issued by either state or local governments, is used to provide financing for entities unable to bear the costs of private financing, when the Legislature deems such entitites worthy of public assistance. The other category of revenue debt finances facilities used directly by state government in daily activities; for example, roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exception of the Kentucky School Building Authority, requires no state funds of any type to provide "debt service," principal and interest payments, on the debt. The School Building Authority supplements funds provided by local school boards in varying percentages for debt service. This distinction is important in analyzing the true level of "state" debt and the "burden" of that debt on state resources.

The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 1986, are as follows (amounts expressed in thousands):

Agency		Principal Outstanding	Interest Rates	Annual Maturity To
State Supported:				
State Property and Buildings Commission	$ 480,807			
Less: Projects 10,14,16,18	16,192	$ 464,615	2.0% to 10.25%	2009
Turnpike Authority of Kentucky		1,040,690	4.1% to 25.0%	2010
Kentucky School Building Authority	102,088			
Less: local school district participation	40,751	61,337	4.75% to 13.0%	2008
Total state supported		1,566,642		
Self-supported:				
Enterprise:				
Parks Projects 10,14,16		9,597	3.0% to 4.875%	1997
University and College:				
University of Kentucky	143,808			
Plus: Project 18	6,595	150,403	2.75% to 10.2%	2018
University of Louisvillle		110,943	3.0% to 11.0%	2016
Eastern Kentucky University		51,345	2.875% to 6.3%	2008
Western Kentucky University		37,896	2.75% to 7.25%	2010
Murray State University		26,275	2.125% to 7.25%	2008
Morehead State University		24,460	2.875% to 6.4%	2005
Kentucky State University		18,444	2.875% to 9.9%	2006
Northern Kentucky University		37,325	3.0% to 10.5%	2020
Total self-supported		466,688		
Debt Issuing Authorities				
Kentucky Housing Corporation		825,787	4.5% to 13.0%	2022
Kentucky Pollution Abatement Authority		67,285	5.5% to 11.375%	2010
Kentucky Higher Education Student Loan Corporation		372,985	5.5% to 9.75%	2001
Kentucky Development Finance Authority		399,005	5.75% to 15.5%	2015
Kentucky Local Correctional Facilities Construction Authority		32,210	6.75% to 10.375%	2014
Kentucky Agricultural Finance Authority		512	8.5% to 9.5%	2011
Kentucky School Building Authority				
Local School District Participation		40,751	4.75% to 13.0%	2008
Total for debt issuing authorities		1,738,535		
Total		$3,771,865		

Debt service requirements, principal, and interest relating to revenue bonds are shown in the Table titled Revenue Bonds Debt Service Requirements (amounts expressed in thousands).

Kentucky State Property and Buildings Commission

The State Property and Buildings Commission is composed of the Governor, Lieutenant Governor, the Attorney General, the Secretary of the Finance and Administration Cabinet, the Secretary of the Revenue Cabinet, and the Secretary of the Commerce Cabinet. The Commission is an independent agency of the Commonwealth created by Section 56.450 of the Kentucky Revised Statutes and is empowered upon application of any state agency to issue bonds in its own name to pay the costs of acquiring land and the construction and equipping of buildings for the use and occupancy of said agencies.

During the fiscal year ended June 30, 1986, the Kentucky State Property and Buildings Commission issued $44,810,000 of Refunding Revenue Bonds (Project 32, Series 2), maturing to 2007 at interest rates ranging from 6.90% to 9.00%, $35,940,000 of Refunding Revenue Bonds (Project 31, Series 3), maturing to 2007 at interest rates ranging from 4.50% to 7.10%, $14,820,000 of Refunding Revenue Bonds (Project 29, Series 2), maturing to 2007 at interest rates ranging from 5.25% to 7.875%, $65,090,000 of Refunding and New Construction Revenue Bonds (Project 30, Series 4), maturing to 2007 at interest rates ranging from 8.50% to 9.40%, $16,005,000 of Refunding Revenue Bonds (Project 28, Series 2) maturing to 2007 at interest rates ranging from 5.25% to 7.875%, and $3,795,000 of Refunding Revenue Bonds (Project 33, Series 2), maturing to 2007 at interest rates ranging from 4.50% to 7.10%.

Turnpike Authority of Kentucky

The Turnpike Authority of Kentucky was created in the 1960 Regular Session of the General Assembly of Kentucky under present KRS Sections 175.410 to 175.990 as a body corporate and politic constituting a municipal corporation, political subdivision, and the governmental agency and instrumentality of the Commonwealth. The Authority members consist of the Governor, the Lieutenant Governor, the Attorney General, the Commissioner of Highways, the State Highway Engineer, and the Secretary of the Commerce Cabinet. The Authority under the above mentioned acts is empowered to acquire, construct, finance, maintain, repair, and operate turnpike projects and resource recovery road projects pursuant to written agreements with the Transportation Cabinet. Such roads are leased to the Transportation Cabinet, with rental payments providing debt service on debt issued for such purposes.

During the fiscal year ended June 30, 1986, the Turnpike Authority of Kentucky issued $309,961,261 of Resource Recovery Refunding Bonds, maturing to 2009 at interest ranging from 5.75% to 9.70%.

State Universities

The Board of Trustees of the University of Kentucky and the Board of Regents of all other state universities, including the University of Louisville, Eastern Kentucky University, Western Kentucky University, Murray State University, Morehead State University, Kentucky State University, and Northern Kentucky University, are authorized under KRS 56.495 to issue debt for the purpose of constructing educational buildings and housing and dining facilities. In addition, the University of Louisville is specifically authorized to issue debt for education buildings under KRS 64.860 but is limited to $16 million of refunding debt.

During the fiscal year ended June 30, 1986, the University of Kentucky issued $16,100,000 of Consolidated Educational Building Revenue Bonds (Series D), maturing to 2006 at interest rates ranging from 7.25% to 9.25%, $3,790,000 of Housing and Dining Revenue Bonds (Series L), maturing to 2006 at interest rates ranging from 4.50% to 7.00%, and $2,890,000 of Community College Revenue Bonds (Series E), maturing to 2006 at interest rates ranging from 5.00% to 7.00%.

Kentucky Housing Corporation

The Housing Corporation was established by a 1972 Act, now KRS 198A. The Corporation is a municipal corporation and political subdivision of the Commonwealth governed by a board of directors consisting of the Secretary of the Finance and Administration Cabinet, the Commissioner of the Department of Local Government, the Secretary of the Revenue Cabinet, the Attorney General, the Secretary of the Commerce Cabinet, the Lieutenant Governor, and eight additional members appointed by the Governor. The Corporation is authorized to increase the supply of housing for persons of lower income by making or participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonably equivalent terms and conditions. The Housing Corporation is limited to a total principal value of debt outstanding of $1.125 billion.

During the fiscal year ended June 30, 1986, the Kentucky Housing Corporation issued $40,002,545 of Multi-Family Mortgage Revenue Bonds, maturing to 2022 at interest rates ranging from 6.00% to 9.875%, and $100,000,000 of Single-Family Mortgage Revenue Bonds, maturing to 2013 at interest rates ranging from 6.20% to 10.00%.

Kentucky Pollution Abatement Authority

The Authority is a corporate body and a political subdivision of the Commonwealth. Its purpose, as established by the Kentucky Legislature in 1972 under KRS Chapter 224A, is to issue debt and make repayable grants to local government units for the assistance in construction of wastewater treatment facilities for the abatement of water pollution in the Commonwealth. Also, by a 1978 amendment to KRS Chapter 224A and pursuant to KRS 103.200 through KRS 103.286, the Authority may loan the proceeds of its debt issued to industrial concerns to enable them to construct new pollution control facilities. The Board of the Authority consists of seven members appointed by the Governor of the Commonwealth. The Authority is presently chaired by the Secretary of the Commerce Cabinet.

Kentucky Higher Education Student Loan Corporation

The Corporation's powers, as outlined under KRS Chapter 164A, include the authority to make and to guarantee student loans and to reinsure such student loans with the United States of America, pursuant to the Federal Higher Education Act of 1965. The Corporation is created as a body corporate and politic to act as a financing authority and assure a secondary market for insured student loans. The Corporation is governed by a board of directors consisting of five members, two of whom are chosen from the general public and the other three being the Chairman of the Council on Higher Education, the Secretary of the Finance and Administration Cabinet, and the Chairman of the Kentucky Higher Education Assistance Authority. The Corporation is limited to a maximum principal debt outstanding of $400 million to finance student loans and loan guarantees.

During the fiscal year ended June 30, 1986, the Kentucky Higher Education Student Loan Corporation issued $190,700,000 of Insured Student Loan Revenue Bonds, maturing to 2001 at interest rates ranging from 5.50% to 9.25%.

Kentucky School Building Authority

The Authority is an agency and instrumentality of the Commonwealth of Kentucky, established as a public corporation, as described under KRS Chapter 273. The Authority and its powers are described under KRS 157.800 through KRS 157.895 resulting from legislation in the 1978 Regular Session. The Authority was directed to reduce the backlog of schoolhouse construction by:

(a) making direct cash grants to local school districts for construction, reconstruction, or emergency maintenance of school facilities, when the district is without sufficient funds;

(b) acting on behalf of school districts to issue bonds in the name of the Authority and enter into lease agreements with local Boards of Education to finance construction or reconstruction of school facilities;

(c) enter into agreements with local Boards of Education which provide for a percentage discount of up to 90% of annual lease payments due the Authority for those districts which qualify under regulations of the Authority provided for in Section 5 of KRS 157.820; and

(d) entering into lease agreements with the Department of Education to build state-owned, department operated facilities.

During the fiscal year ended June 30, 1986, the Kentucky School Building Authority issued Revenue Bonds for the Central City Independent School District having state participation of $1,275,599, maturing to 2004 at interest rates ranging from 5.25% to 9.20%; Revenue Bonds for the Letcher County School District having state participation of $2,258,800, maturing to 2006 at interest rates ranging from 5.00% to 7.20%; Refunding Revenue Bonds for the Williamsburg Independent School District having state participation of $1,674,897, maturing to 2005 at interest rates ranging from 4.50% to 7.50%; Revenue Bonds for the Jessamine County School District having state participation of $1,325,000, maturing to 2006 at interest rates ranging from 4.75% to 7.75%; and $18,465,000 of State Vocational Education School Refunding Revenue Bonds, maturing to 2001 at interest rates ranging from 7.00% to 8.25%.

Kentucky Local Correctional Facilities Construction Authority

The authority is a body corporate and politic and an agency and instrumentality of the Commonwealth of Kentucky created in 1982 pursuant to Sections 441.605 through 441.695 of the Kentucky Revised Statutes, as amended, to provide an additional and alternative method of constructing, improving, or repairing and financing jails. The projects funded by KLCFCA revenue bonds will consist of the acquisition, construction, repair or improvement of both regional and local jail facilities.

During the fiscal year ended June 30, 1986, the Kentucky Local Correctional Facilities Construction Authority issued no additional debt.

Kentucky Development Finance Authority

The Kentucky Development Finance Authority (KDFA), established in 1958 (KRS 154), is an independent agency of state government which operates in close cooperation with the Secretary of the Commerce Cabinet to promote the industrial development of Kentucky. KDFA is the only agency at the state level with the authority to issue industrial revenue bonds. This debt does not constitute a legal or moral obligation of the Commonwealth of Kentucky, and is not included in these statements.

During the fiscal year ended June 30, 1986, the Kentucky Develoment Finance Authority issued Hospital Revenue Bonds in the amounts of $26,750,000 for Baptist Hospitals, Inc., maturing to 2015 at interest rates ranging from 7.00% to 9.25%; $32,115,000 for Good Samaritan Hospital, maturing to 2011 at interest rates ranging from 7.50% to 10.25%; and $59,685,000 for Sisters of Charity Hospital, maturing to 2013 at interest rates ranging from 5.75% to 9.50%. The Authority also issued $92,500,000 of variable rated H.E.L.P. Loan Pool Revenue Bonds, maturing to 2015.

Kentucky Agricultural Finance Corporation

The Kentucky Agricultural Finance Corporation (KAFC) is a public corporation and governmental agency of the Commonwealth of Kentucky established in 1984 by an Act of the Kentucky General Assembly. KAFC was established for the purpose of "improving and promoting the health, welfare and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures". The Kentucky Agricultural Finance Corporation's Bond Program is designed to help lenders (banks and other financial institutions) assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

Notes Payable:
Kentucky State Property and Buildings Commission

In addition to general obligation and revenue bonds, the State Property and Buildings Commission issues bond anticipation notes. There were no bond anticipation notes issued or outstanding at June 30, 1986.

Table - Revenue Bonds Debt Service Requirements

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Requirements
1987	$ 22,170	$ 6,585	$ 150,193	$ 303,906	$ 482,854
1988	23,020	5,744	156,372	291,840	476,976
1989	23,925	4,867	139,901	281,125	449,818
1990	24,875	3,951	142,939	277,352	449,117
1991	12,955	3,160	142,010	261,006	419,131
1992-2022	57,705	6,484	3,040,450	2,981,357	6,085,996
	$ 164,650	$ 30,791	$3,771,865	$4,396,586	$ 8,363,892

Note 10 - Segment Information - Segment financial information for the Commonwealth's Enterprise Funds for the year ended June 30, 1986, is presented below (amounts expressed in thousands):

	State Parks	State Fair Board	Industries for the Blind	Horse Park	Center for the Arts	Total
Operating Revenues	$ 29,471	$ 13,454	$ 1,222	$ 2,922	$ 1,868	$ 48,937
Depreciation and Amortization Expense	4,177	2,871	46	1,720	80	8,894
Operating Income (Loss)	(22,132)	(3,112)	(516)	(2,874)	(1,204)	(29,838)
Operating Grants, Entitlements, and Shared Revenues			87		538	625
Operating Transfers:						
In	23,590	5,751	456	1,902		31,699
Out	(1,395)	(5,885)		(1,406)		(8,686)
Tax Revenue					643	643
Net Income (Loss)	436	(3,254)	27	(2,378)	144	(5,025)
Current Capital: Transfers		2,755				2,755
Fixed Assets:						
Additions	3,582	68	117	74	145	3,986
Deletions	822					822
Net Working Capital	19,034	(310)	238	638	66	19,666
Total Assets	91,889	95,221	1,118	21,403	1,465	211,096
Bonds and Other Long-Term Liabilities: Payable from Operating Revenue and operating transfers - in	10,117	218	32	54	281	10,702
Total Equity	75,563	93,826	983	20,978	653	192,003

Note 11 - Commitments and Contingencies -

Commitments - The Commonwealth has entered into an agreement with Toyota Motor Manufacturing, U.S.A., Inc., to furnish land and certain improvements thereto, a skills development center, employee training program, and certain highway improvements in the area of the Georgetown, Kentucky, plant. The 1986 Session of the General Assembly authorized Economic Development Bonds, in the amount of $92 million, and appropriated $20.4 million to the Cabinet for Human Resources for the employee training program, for the 1986-1988 Biennium. The General Assembly also authorized the expenditure of another $12.6 million of the General Fund Surplus Account should the appropriation to the Cabinet for Human Resources be insufficient to cover the cost. The total amount of State funding commited to this agreement is $125 million. Additional Federal funding, of up to $32 million, if available, may be used for the employee training program and highway improvements. The Federal funding is also contingent on these projects meeting Federal guidelines.

Funds expended during fiscal year 1985-86 for this project totaled approximately $27 million. Approximately $47.8 has been spent to date for the acquisition of land, site preparation, and highway improvements in the area of the Georgetown, Kentucky, site.

Litigation - The Commonwealth, its units and employees are parties to numerous legal proceedings many of which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the Commonwealth's financial position.

In addition, the Commonwealth and its units are involved in certain other legal proceedings which, if decided adversely to the Commonwealth, may require the Commonwealth to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the Commonwealth.

Federal Grants - The Commonwealth receives significant financial assistance from the U. S. Government in the form of grants and Federal revenue sharing entitlements. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Commonwealth. As of June 30, 1986, the Commonwealth estimates that no material liabilities will result from such audits.

Leases - The Commonwealth has entered into various operating leases for land and buildings. All leases contain termination clauses providing for the cancellation after 30, 60, or 90 days written notice to the lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the years ended June 30, 1986 and 1985 amounted to $18.1 million and $17.2 million, respectively.

Sick Leave - It is the policy of the Commonwealth to record the cost of sick leave when paid. Generally, state employees earn one day per month with unlimited accumulation; however, sick leave is allowed due to illness, injury, or related family death, there was no liability for sick leave at June 30, 1986. The estimated accumulated amount of unused sick leave at that date for the governmental and proprietary funds was $110,938,845 and $7,133,645, respectively.

Note 12 - Subsequent Events -

The Turnpike Authority of Kentucky issued $226,385,000 of revenue bonds, dated June 1, 1986, and closed July 1, 1986, with stated interest rates ranging from 4.50% to 7.90% on $27,425,000 of serial bonds due 1987 through 1998. Term bonds mature as follows: $21,920,000 at 8.125% due 1998, $89,355,000 at 8.50% due 2004, $60,135,000 at 5.50% due 2007, and $27,550,000 at 8.50% due 2010. The proceeds are to be used to refund a portion of the Authority's Toll Road Revenue Bonds, Series 1984, and provide funds for a Debt Service Reserve Fund.

The Kentucky Pollution Abatement and Water Resources Finance Authority issued $31,000,000 in construction notes, dated August 1, 1986, with a stated interest rate of 6.10% due in 1989. The notes are authorized for the purpose of providing interim construction financing for certain public projects being undertaken by certain political subdivisions of the Commonwealth, and that have been determined to be eligible for permanent financing by the United States Department of Agriculture, Farmers Home Administration (FmHA).

The University of Kentucky issued $21,000,000 of revenue bonds, dated August 1, 1986, with stated interest rates ranging from 6.20% to 8.00% due serially from 1987 through 2006. The proceeds are to be used to finance a portion of the costs of constructing and equipping a hospital addition and related facilities and renovating certain existing facilities of the University of Kentucky Hospital.

The Turnpike Authority of Kentucky issued $197,690,000 of revenue bonds, dated July 1, 1986, and closed August 15, 1986, with stated interest rates ranging from 4.25% to 7.75% on $141,980,000 of serial bonds due from 1987 through 2001. Term bonds amounting to $125,710,000 and bearing interest at 7.875% mature in 2004. The proceeds are to be used to refund the Authority's Economic Development Road Revenue Bonds, 1984 Series A, and to make money available for certain authorized economic development road projects.

The Kentucky Pollution Abatement and Water Resources Finance Authority privately placed with Morgan Guaranty Trust Company, New York, $58,000,000 in flexible rate, weekly demand bonds, dated August 14, 1986. The proceeds are to be used to finance construction of the pollution control facilities at the Toyota Motor Manufacturing, USA, honeycombed plant in Georgetown, Kentucky.

The University of Louisville issued $48,690,000 of revenue bonds, dated September 1, 1986, with stated interest rates ranging from 5.00% to 7.00% due 1987 through 2002 for $14,405,000 in serial bonds. Term bonds in the amount of $13,065,000 at 7.25% interest mature in 2009 with the remaining $18,825,000 bearing 7.375% interest due 2016. The proceeds are to be used to: (1) refund the University's Consolidated Educational Buildings Revenue Bonds, Series L, dated August 1, 1985, and Series F, dated December 1, 1983, (2) fund the Debt Service Reserve to the extent not otherwise provided, and (3) pay the costs of issuance in connection with the bonds.

The University of Kentucky issued $9,010,000 of revenue bonds dated October 1, 1986, with stated interest rates ranging from 4.00% to 7.20% due serially from 1987 through 2006. The proceeds are to be used to defease the University of Kentucky Community Colleges Educational Buildings Revenue Bonds, Series D, dated December 1, 1982.

The State Property and Buildings Commission issued $53,910,000 of revenue bonds, dated October 1, 1986, with stated interest rates ranging from 5.50% to 7.00% due serially from 1987 through 2006. The proceeds are to be used as follows: (1) $50,060,000 for project 36 to finance the Correction Cabinet's 500 bed medium security prison in Oldham County, (2) $275,000 for Project 37 to finance the replacement of the bleachers at the Farnham Dalgren Clair Center in Frankfort, and (3) $3,275,000 for Project 38 to finance renovations to the Coliseum, the East and West Wings, the Pavilion, the Stadium and replace Stadium turf and improve drainage facilities at the State Fairgrounds in Louisville.

The State Property and Buildings Commission issued $21,875,000 of revenue bonds, dated November 1, 1986, with stated interest rates ranging from 6.10% to 7.10% due serially from 1987 through 2005. The proceeds are to be used to refund the Kentucky Center for the Arts bonds, Project 27, Series 1983.

The Kentucky Higher Education Student Loan Corporation issued $40,820,000 in serial revenue bonds, dated November 1, 1986, with stated interest rates ranging from 5.00% to 6.35% due from 1987 through 1991. The Corporation also issued $35,000,000 in term revenue bonds, dated the same, with a stated interest rate of 6.625% until December 1, 1997, and presently undetermined variable interest rates thereafter, due 2001. The proceeds of these issues are to be used for the purpose of purchasing additional Insured Student Loans.

Eastern Kentucky University issued $9,995,000 in revenue bonds, dated November 1, 1986, with stated interest rates ranging from 4.50% to 6.60% due serially from 1987 through 2007. The proceeds are to be used to pay costs, to the extent not otherwise provided, of the repair or renovation, or addition to, various buildings on the campus of the University at Richmond that are and shall be a part of the Consolidated Educational Buildings Project established and created by the Board of Regents on September 3, 1965.

Western Kentucky University issued $8,450,000 in revenue bonds, dated November 1, 1986, with stated interest rates ranging from 4.25% to 6.625% due serially from 1988 through 2007. The proceeds are to be used to pay costs, to the extent not otherwise provided, of the repair or renovation, or addition to, various buildings and equipment on the campus of the University at Bowling Green that are and shall be a part of the Consolidated Educational Buildings Project established and created by the Board of Regents on August 15, 1960.

Combining and Individual Fund Statements

General Fund

The General Fund accounts for financial resources appropriated by the General Assembly that are not required to be accounted for in another fund.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GENERAL FUND
JUNE 30, 1986
(Expressed in Thousands)

Assets	
Cash and cash equivalents	$ 372,212
Receivables, net	232,018
Interfund receivables	4,273
Inventories	6,942
Total assets	$ 615,445
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	$ 289,337
Interfund payables	3,084
Deferred revenue	43,875
Total liabilities	336,296
Fund balance:	
Reserved for:	
Continued appropriations	4,028
Inventories	6,941
Unreserved:	
Undesignated	268,180
Total fund balance	279,149
Total liabilities and fund balance	$ 615,445

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

Revenues:	
Taxes	$2,648,843
Intergovernmental	3,890
Charges for services	1,418
Fines and forfeits	29,526
Interest and other investment income	33,200
Other revenue	21,307
Total revenues	2,738,184
Expenditures:	
General government	131,594
Legislative and judicial	78,934
Commerce	19,228
Education and humanities	1,089,048
Energy	6,293
Human resources	404,581
Justice	62,022
Natural resources and environmental protection	26,561
Corrections	80,983
Public protection and regulation	26,866
Transportation	1,559
Total expenditures	1,927,669
Excess of revenues over (under) expenditures	810,515
Other financing sources (uses):	
Operating transfers in	3,109
Operating transfers out	(688,912)
Increase (decrease) in inventories	1,066
Other financing uses - outside entities	(6,522)
Other financing uses - capital lease	(650)
Other financing sources - prior year	59
Total other financing sources (uses)	(691,850)
Excess of revenues and other financing sources over (under) expenditures and other uses	118,665
Fund balance at July 1, 1985, as previously reported	151,943
Restatements	(4)
Fund balance at July 1, 1985, as restated (Note 2)	151,939
Equity transfers	8,545
Fund balance at June 30, 1986	$ 279,149

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Taxes	$ 2,683,552	$ 2,648,449	$ (35,103)
Licenses, fees, and permits	17,281	14,079	(3,202)
Intergovernmental	3,750	3,890	140
Fines and forfeits	25,415	28,903	3,488
Interest and other investment income	29,100	32,910	3,810
Other revenue	3,452	13,255	9,803
Total revenues	2,762,550	2,741,486	(21,064)
Expenditures:			
General government			
Revenue - general administration	523	477	46
Revenue - processing and enforcement	23,564	22,506	1,058
Revenue - office of property valuation administrators	14,707	14,695	12
Revenue - processing and support	4,405	4,303	102
Commonwealth Attorneys	7,967	7,958	9
County Attorneys	8,106	8,105	1
Attorney General	4,985	4,985	
Auditor of Public Accounts	2,795	2,767	28
Governor's Office	2,193	2,146	47
Lieutenant Governor's Office	460	458	2
Military Affairs - disaster and emergency services	4,568	4,423	145
Military Affairs - general operations	5,183	5,114	69
Secretary of the Cabinet	371	356	15
Local Government - various area development district projects	3,927	3,882	45
Local Government - assistance to county/municipal accounting	381	342	39
Local Government - economic assistance fund	20,341	18,171	2,170
Local Government - area development fund	2,910	2,910	
Secretary of State - restoration of land grant books	44	43	1
Secretary of State - general operations	1,109	1,076	33
Department of the Treasury	1,245	1,221	24
Board of Elections	1,225	1,224	1
Personnel Board	286	277	9
Athletic Commission	62	62	
School Facilities Construction Fund	100	57	43
Commission on Human Rights	1,194	1,176	18
Commission on Women	179	178	1
Council on Higher Education	4,754	4,699	55
Eastern Kentucky University	36,043	36,043	
Kentucky State University	13,226	13,226	
Morehead State University	21,971	21,971	
Murray State University	27,166	27,166	
Northern Kentucky University	21,620	21,620	
University of Kentucky	187,339	187,339	
University of Louisville	99,742	99,414	328
Western Kentucky University	34,375	34,375	
Governor's Office for Program Administration	300	269	31
Department of Personnel	4,251	4,067	184
Capital Plaza Authority	2,450	2,272	178
Kentucky Higher Education Assistance Authority	7,840	7,827	13
Financial Disclosure Review Commission	70	60	10
Office for Investment and Debt Management	232	232	
Office of the Secretary - finance and administration	2,038	1,817	221
Board of Claims Awards	200	127	73
Judgments	1,026	1,026	
Prior year claims	244	233	11
Unredeemed checks refunded	190	117	73
Frankfort Planning Commission	1	1	
Frankfort Cemetery	3	3	
Blanket employee bonds	140	135	5
Public improvements	5		5
Police and firemen life insurance	75	75	
Employees retirement	65	65	
Money refunded	2		2
Social security	100	100	
Worker's compensation	50	40	10
Governor's Office for Policy and Management	1,401	1,288	113

	Budget	Actual	Variance favorable (unfavorable)
Department for Administration	5,110	5,110	
Office of Historical Properties	202	201	1
Department of Facilities Management	6,765	6,622	143
Department of Information Systems	1,980	1,189	791
Local Government economic assistance - county coal severance	16,700	16,700	
Kentucky Center for the Arts	2,900	2,734	166
Capital construction	500	500	
General obligation park bond	565	559	6
General obligation bond - veterans bonus	7,865	7,846	19
General purpose bonds of 1965	2,060	2,048	12
County costs - witnesses	110	100	10
County costs - special bailiff	25		25
County costs - sheriffs' fees	1,350	1,349	1
County costs - county clerk tax bill	785	697	88
County costs - board of assessment/appeal	30	11	19
County costs - fugitive from justice	365	364	1
County costs - jury	3,770	3,770	
County costs - sheriff expense allowance	432	432	
County costs - premium on sheriffs' bonds	550	515	35
County costs - base court revenue	5,431	5,431	
Total general government	637,244	630,697	6,547
Legislative and judicial			
General Assembly - regular sessions	8,466	7,714	752
Legislative Research Commission - administrative	10,048	9,947	101
Board of Ethics	27	7	20
Judicial retirement	2,297	2,291	6
Court of Justice - operation and administration	54,279	54,269	10
Court of Justice - local facility support	8,209	8,209	
Total legislative and judicial	83,326	82,437	889
Commerce			
Department of Agriculture	8,918	8,870	48
Kentucky State Fair Board	6,003	5,647	356
Breaks Interstate Park	100	100	
Commerce - office of the secretary	11,299	9,274	2,025
Tourism - office of the secretary	607	607	
Department of Economic Development	2,767	2,759	8
Department of Travel Development	2,957	2,956	1
Arts - Governor's challenge grant	1,228	1,228	
Department of the Arts	1,751	1,750	1
Kentucky Development Finance Authority	5,424	5,187	237
Kentucky Horse Park	1,902	1,902	
Department of Parks	18,656	18,610	46
Total commerce	61,612	58,890	2,722
Education and humanities			
Commission on Deaf and Hearing Impaired	174	173	1
Kentucky Oral History Commission	90	89	1
Kentucky Heritage Council	391	391	
Education and humanities - office of the secretary	330	281	49
Department for the Blind	1,256	1,246	10
Education - local services	11,603	11,335	268
Education - instructional services	28,311	25,061	3,250
Education - vocational education	44,665	44,528	137
Education - rehabilitation services	4,233	4,233	
Education - insurance services	41,814	41,220	594
Education - general administration	9,426	9,359	67
Education - exceptional children	9,383	9,046	337
Education - power equalization	41,136	41,136	
Education - minimum foundation	914,735	894,137	20,598
Education - administrative services and budget management	3,380	3,377	3
Education - career ladder	45	44	1
Kentucky Educational Television	8,147	8,143	4

	Budget	Actual	Variance favorable (unfavorable)
Kentucky Historical Society	1,596	1,595	1
Department for Libraries and Archives	9,737	9,695	42
Teacher's Retirement System	129,231	129,231	
Kentucky School Building Authority	6,651	6,309	342
Bluegrass State Skills Corporation	702	702	
Vocational Technical Education Commission	100	38	62
Career Ladder Commission	200	190	10
Total education and humanities	1,267,336	1,241,559	25,777
Energy			
Management	1,001	994	7
Department of Production and Utilization	791	772	19
Department of Research and Development	6,704	6,670	34
Department of Research and Development - demonstration projects	139	126	13
Total energy	8,635	8,562	73
Human resources			
Office of Executive Policy and Support	11,020	10,812	208
Department for Mental Health and Mental Retardation Services	66,385	66,332	53
Department for Health Services	36,456	36,444	12
Certificate of Need Authority	128	128	
Commission for Handicapped Children	5,121	5,117	4
Department for Employment Services	274	171	103
Department for Social Insurance - administration	34,676	34,193	483
Department for Social Insurance - benefits	157,674	157,244	430
Department for Medicaid Services - administration	2,773	2,710	63
Department for Medicaid Services - benefits	59,814	59,514	300
Department for Social Services	51,258	50,013	1,245
Total human resources	425,579	422,678	2,901
Justice			
Justice - administration	1,399	1,398	1
Department of State Police	59,358	59,357	1
Department of Training	2,005	1,986	19
Total justice	62,762	62,741	21
Natural resources and environmental protection			
Environmental Quality Commission	80	72	8
Flood Control Advisory Commission	76	75	1
Kentucky Nature Preserves Commissionn	172	172	
Office of the Secretary	2,837	2,830	7
Department for Environmental Protection	9,095	9,092	3
Department for Natural Resources	7,779	7,748	31
Department for Surface Mining Reclamation and Enforcement	6,724	6,722	2
Total natural resources and environmental protection	26,763	26,711	52
Corrections			
Management	9,179	8,718	461
Local jail allotment	14,613	14,613	
Community services and facilities	12,038	12,022	16
Adult institutions	49,730	49,668	62
Various institutions	7,267	6,542	725
Total corrections	92,827	91,563	1,264
Public protection and regulation			
Registry of Election Finance	281	278	3
Board of Claims and Crime Victims Compensation Board	786	739	47
Board of Tax Appeals	219	206	13
Kentucky Harness Racing Commission	592	592	
Public Service Commission	4,755	3,913	842
Kentucky State Racing Commission	464	464	
Department of Public Advocacy	6,766	6,765	1
Office of the Secretary	319	317	2

	Budget	Actual	Variance favorable (unfavorable)
Alcoholic Beverage Control Board	1,343	1,333	10
Department of Housing, Buildings, and Construction	2,366	2,340	26
Department of Insurance	1,787	1,781	6
Labor - office of the secretary	40	40	
Department of Workplace Standards	1,355	1,343	12
Department of Mines and Minerals	6,522	6,522	
Total public protection and regulation	27,595	26,633	962
Transportation			
General administration and support	312	257	55
Air	2,056	1,107	949
Rail	79	79	
Public	583	562	21
Total transportation	3,030	2,005	1,025
Total expenditures	2,696,709	2,654,476	42,233
Excess of revenues over (under) expenditures	$ 65,841	$ 87,010	$ 21,169

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

Revenues by source

Taxes:	
Sales and gross receipts	$1,010,452
Income:	
Individual	810,330
Corporation	233,674
Property	260,412
Coal severance	198,311
License and privilege	47,662
Inheritance and estate	54,881
Miscellaneous	33,121
Total taxes	2,648,843
Intergovernmental	3,890
Charges for services	1,418
Fines and forfeits	29,526
Interest and other investment income	33,200
Other revenue	21,307
Total revenues by source	$2,738,184

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
STATEMENT OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

General government:	
Cabinet for General Government	
Personal services	$ 39,668
Utilities, rentals, and other services	5,916
Commodities and supplies	9,566
Grants and subsidies	21,934
Capital outlay	600
Travel	662
Judgements	(29)
Total cabinet for general government	78,317
Finance and Administration Cabinet	
Personal services	8,097
Utilities, rentals, and other services	1,788
Commodities and supplies	6,506
Grants and subsidies	(3,802)
Capital outlay	158
Travel	97
Judgements	663
Reissue unredeemed treasury checks	117
Total finance and administration cabinet	13,624
Revenue Cabinet	
Personal services	30,250
Utilities, rentals, and other services	7,068
Commodities and supplies	1,114
Capital outlay	488
Contingent liabilities	18
Travel	744
Judgements	(29)
Total revenue cabinet	39,653
Total general government	131,594
Legislative and judicial	
Personal services	56,977
Utilities, rentals, and other services	13,585
Commodities and supplies	5,765
Capital outlay	1,148
Travel	1,452
Judgements	7
Total legislative and judicial	78,934
Commerce:	
Commerce Cabinet	
Personal services	10,419
Utilities, rentals, and other services	1,909
Commodities and supplies	730
Grants and subsidies	1,936
Capital outlay	235
Travel	587
Judgements	5
Total commerce cabinet	15,821
Tourism Cabinet	
Personal services	1,822
Utilities, rentals, and other services	827
Commodities and supplies	104
Grants and subsidies	502
Capital outlay	60
Travel	92
Total tourism cabinet	3,407
Total commerce	19,228
Education and humanities	
Personal services	59,154
Utilities, rentals, and other services	14,945
Commodities and supplies	6,469
Grants and subsidies	1,005,123
Capital outlay	2,338
Contingent liabilities	33
Travel	1,107
Judgements	(121)
Total education and humanities	1,089,048

Energy	
Personal services	1,470
Utilities, rentals, and other services	389
Commodities and supplies	143
Grants and subsidies	4,002
Capital outlay	246
Travel	43
Total energy	6,293
Human resources	
Personal services	109,271
Utilities, rentals, and other services	16,144
Commodities and supplies	4,840
Grants and subsidies	277,109
Capital outlay	837
Travel	1,282
Judgements	(12,485)
Contingent liabilities	7,583
Total human resources	404,581
Justice	
Personal services	48,238
Utilities, rentals, and other services	4,421
Commodities and supplies	6,227
Grants and subsidies	260
Capital outlay	2,460
Travel	416
Total justice	62,022
Natural resources and environmental protection	
Personal services	19,456
Utilities, rentals, and other services	3,161
Commodities and supplies	1,737
Grants and subsidies	1,410
Capital outlay	538
Travel	245
Judgements	14
Total natural resources and environmental protection	26,561
Corrections	
Personal services	45,326
Utilities, rentals, and other services	6,643
Commodities and supplies	3,232
Grants and subsidies	25,478
Capital outlay	168
Travel	401
Judgements	(265)
Total corrections	80,983
Public protection and regulation:	
Public Protection and Regulation Cabinet	
Personal services	19,099
Utilities, rentals, and other services	2,029
Commodities and supplies	687
Grants and subsidies	2,469
Capital outlay	125
Travel	375
Judgements	315
Contingent liabilities	378
Total public protection and regulation cabinet	25,477
Labor Cabinet	
Personal services	1,145
Utilities, rentals, and other services	101
Commodities and supplies	26
Capital outlay	21
Travel	96
Total labor cabinet	1,389
Total public protection and regulation	26,866
Transportation	
Personal services	610
Utilities, rentals, and other services	93
Commodities and supplies	143
Grants	686
Travel	27
Total transportation	1,559
Total expenditures	$1,927,669

See accompanying notes to combined financial statements.

Special Revenue Funds

Special Revenue Funds account for special revenue sources dedicated to specific operations other than expendable trusts or major capital projects. Kentucky uses the following Special Revenue Funds:

Transportation
Federal
Agency Revenue
Other Special Revenue

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1998
(Expressed in Thousands)

	Transportation	Federal	Agency Revenue	Other Special Revenue	Total June 30, 1998
Assets					
Cash and cash equivalents	$ 99,699	$ 18,196	$ 72,388	$ 447,838	$ 718,847
Cash with fiscal agents			855		855
Investments, net of amortization	59,387		31,476	18,348	114,191
Receivables, net	34,809	63,847	15,838	19,355	133,538
Interfund receivables	47,331	1,829	8,185	15,340	72,684
Inventories	24,684	218	1,280	28	26,210
Other current assets			117		117
Total assets	$ 264,941	$ 134,219	$ 137,813	$ 134,909	$ 865,212
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 24,281	$ 37,771	$ 14,168	$ 949	$ 76,169
Interfund payables	15,276	84,376	1,184	29,303	90,139
Deferred revenue	18,851	31,789	13,761	1,148	65,141
Other liabilities			1,284		1,284
Total liabilities	57,808	154,136	87,878	31,300	332,822
Fund balances:					
Reserved for:					
Encumbrances	77,440				77,440
Continued appropriations	101,294				101,294
Loans			34,427	6,282	35,109
Investments			698	1,851	1,219
Inventories	24,684	218	1,280	28	26,210
Compensating balance with depositories	815				815
Revenue bond retirement				13,158	13,158
Toll road construction				666,858	666,858
Unreserved:					
Undesignated	13,850	19,941	74,274	85,774	134,873
Total fund balances	214,133	20,211	104,984	103,529	865,130
Total liabilities and fund balances	$ 264,941	$ 134,219	$ 137,813	$ 134,909	$ 865,212

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Transportation	Federal	Agency Revenue	Other Special Revenue	Total June 30, 1986
Revenues:					
Taxes	$ 386,752	$	$ 10,495	$ 31,048	$ 428,295
Licenses, fees, and permits	61,734	12	15,890	352	77,988
Intergovernmental	6,157	1,343,764	4,163	4,315	1,358,399
Charges for services	28,315	17	103,707	88,033	220,072
Fines and forfeits	91	1	2,678	966	3,736
Interest and other investment income	7,756		7,271	58,486	73,513
Other revenue	1,962	8,691	13,074	13,862	37,589
Total revenues	492,767	1,352,485	157,278	197,062	2,199,592
Expenditures:					
Current:					
General government		27,282	59,032	87,233	173,547
Legislative and judicial		37	28	121	186
Commerce		2,644	14,028	74	16,746
Education and humanities		205,435	29,863	144	235,442
Energy		914	342		1,256
Human resources		824,783	64,449	4,796	894,028
Justice		3,285	9,730		13,015
Natural resources and environmental protection		18,318	5,752	1	24,071
Corrections		288	436		724
Public protection and regulation		4,592	23,165		27,757
Transportation	467,161	269,221	766		737,148
Total expenditures	467,161	1,356,799	207,591	92,369	2,123,920
Excess of revenues over (under) expenditures	25,606	(4,314)	(50,313)	104,693	75,672
Other financing sources (uses):					
Operating transfers in		8,907	61,565	83,079	153,551
Operating transfers out	(102,252)	(6,677)	(4,774)	(132,406)	(246,109)
Increase (decrease) in inventories	(208)	259	(41)	1	11
Turnpike Authority	71,655			(65,580)	6,075
Capital lease payments		(34)	(105)		(139)
Other financing sources (uses) - outside entities		(4,862)	8,226	(3,188)	176
Total other financing sources (uses)	(30,805)	(2,407)	64,871	(118,094)	(86,435)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(5,199)	(6,721)	14,558	(13,401)	(10,763)
Fund balances at July 1, 1985, as previously reported	234,179	33,523	95,974	525,694	889,370
Restatements	(14,447)	(1)	1,683	(13,936)	(26,701)
Fund balance at July 1, 1985, as restated	219,732	33,522	97,657	511,758	862,669
Equity transfers in (out)		(6,578)	(7,331)	7,153	(6,756)
Fund balances at June 30, 1986	$ 214,533	$ 20,223	$ 104,884	$ 505,510	$ 845,150

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

Revenues:	
Taxes	$ 386,752
Licenses, fees, and permits	61,734
Intergovernmental	6,157
Charges for services	28,315
Fines and forfeits	91
Interest and other investment income	7,756
Other revenue	1,962
Total revenues	492,767
Expenditures:	
Transportation:	
General administration and support	34,330
Air transportation	289
Rail transportation	537
Highways	432,005
Total expenditures	467,161
Excess of revenues over (under) expenditures	25,606
Other financing sources (uses):	
Operating transfers out	(102,252)
Turnpike Authority	71,655
Increase (decrease) in inventories	(208)
Total other financing sources (uses)	(30,805)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(5,199)
Fund balance at July 1, 1985, as previously reported	234,179
Restatements	(14,447)
Fund balance at July 1, 1985, as restated	219,732
Fund balance at June 30, 1986	$ 214,533

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Taxes	$ 351,572	$ 383,835	$ 32,263
Licenses, fees, and permits	89,173	62,960	(26,213)
Intergovernmental		3,824	3,824
Charges for services	25,715	28,099	2,384
Fines and forfeits	200	92	(108)
Interest and other investment income	11,200	9,006	(2,194)
Other revenue	3,465	76,929	73,464
Total revenues	481,325	564,745	83,420
Expenditures:			
Transportation:			
General administration and support	37,436	37,336	100
Air	307	307	
Rail	84	84	
Public	93	89	4
Highway	535,251	533,841	1,410
Total expenditures	573,171	571,657	1,514
Excess of revenues over (under) expenditures	$ (91,846)	$ (6,912)	$ 84,934

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
FEDERAL FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Licenses, fees, and permits	$	$ 12	$
Intergovernmental		1,365,005	
Charges for services		18	
Fines and forfeits		1	
Other revenue		32,093	
Total revenues		1,397,129	
Expenditures:			
General government			
Unified Prosecutorial System	15	6	9
Attorney General	1,762	1,279	483
Military Affairs - disaster and emergency services	9,625	2,051	7,574
Military Affairs - general operations	1,422	1,275	147
Local Government - various area development district projects	37,737	28,132	9,605
Commission on Human Rights	122	118	4
Kentucky Higher Education Assistance Authority	933	933	
Total general government	51,616	33,794	17,822
Legislative and judicial			
Administrative Office of the Courts	38	37	1
Total legislative and judicial	38	37	1
Commerce			
Department of Agriculture	2,554	2,016	538
Commerce - office of the secretary	173	170	3
Department of Economic Development	140	140	
Department of the Arts	498	495	3
Total commerce	3,365	2,821	544
Education and humanities			
Kentucky Heritage Council	655	628	27
State Advisory Council for Vocational Education	120	105	15
Education and humanities - office of the secretary	109	108	1
Department for the Blind	3,891	3,852	39
Education - local services	48	32	16
Education - instructional services	77,824	76,587	1,237
Education - vocational education	19,682	18,083	1,599
Education - rehabilitation services	21,662	20,378	1,284
Education - general administration	74,491	73,177	1,314
Education - exceptional children	21,547	19,967	1,580
Education - administrative services and budget management	1,783	1,355	428
Kentucky Educational Television	169	168	1
Kentucky Historical Society	11	11	
Department for Libraries and Archives	1,924	1,525	399
Total education and humanities	223,916	215,976	7,940
Energy			
Management	1,377	1,165	212
Total energy	1,377	1,165	212

	Budget	Actual	Variance favorable (unfavorable)
Human resources			
Office of Executive Policy and Support	20,685	14,277	6,408
Department for Mental Health and Mental Retardation Services	17,770	15,716	2,054
Department for Health Services	66,746	62,103	4,643
Certificate of Need Authority	180	180	
Commission for Handicapped Children	3,076	3,064	12
Department for Employment Services - unemployment insurance	20,620	14,951	5,669
Department for Employment Services	102,348	77,089	25,259
Department for Social Insurance-administration	60,501	51,218	9,283
Department for Social Insurance-benefits	388,473	383,584	4,889
Department for Medicaid Services - administration	6,257	4,800	1,457
Department for Medicaid Services - benefits	148,361	141,410	6,951
Department for Social Services	79,333	73,181	6,152
Total human resources	914,350	841,573	72,777
Justice			
Justice - administration	1,097	883	214
Department of State Police	3,292	3,063	229
Total justice	4,389	3,946	443
Natural resources and environmental protection			
Environmental Quality Commission	3	1	2
Kentucky Nature Preserves Commission	58	58	
Office of the Secretary	114	3	111
General counsel	1,086	1,008	78
Department for Environmental Protection	7,348	6,548	800
Department for Natural Resources	3,826	3,642	184
Department for Surface Mining Reclamation and Enforcement	12,218	7,397	4,821
Total natural resources and environmental protection	24,653	18,657	5,996
Corrections			
Federal and agency accounts	458	367	91
Total corrections	458	367	91
Public protection and regulation			
Kentucky Occupational Safety and Health Review Commission	281	261	20
Public Service Commission	153	116	37
Department of Public Advocacy	272	258	14
Alcoholic Beverage Control Board	1	1	
Department of Housing, Buildings, and Construction	24	11	13
Department of Workplace Standards	4,237	3,505	732
Department of Mines and Minerals	750	739	11
Total public protection and regulation	5,718	4,891	827
Transportation			
Air	12	10	2
Rail	472	472	
Public	2,603	2,603	
Highways	276,512	273,129	3,383
Total transportation	279,599	276,214	3,385
Total expenditures	1,509,479	1,399,441	110,038
Excess of revenues over (under) expenditures	$	$ (2,312)	$

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
BUDGETARY TRUST AND AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Taxes	$	$ 80,120	$
Licenses, fees, and permits		22,901	
Intergovernmental		8,648	
Charges for services		482,295	
Fines and forfeits		2,676	
Interest and other investment income		20,156	
Other revenue		325,054	
Total revenues		941,850	
Expenditures:			
General government			
Revenue - processing and enforcement	727	445	282
Revenue - processing and support	39	6	33
Revenue - office of property valuation administration	748	489	259
Revenue - property valuation administration	200	66	134
Revenue - property taxation - motor vehicle tax system	850	354	496
Revenue - property taxation - assessment and identification	175	34	141
Unified Prosecutorial System	19	7	12
Attorney General	1,836	1,622	214
Auditor of Public Accounts	1,056	989	67
Governor's Office	151	151	
Military Affairs - disaster and emergency services	116	1	115
Military Affairs - general operations	625	471	154
Kentucky Retirement Systems	1,603	1,563	40
Local Government - various area development district projects	1,391	675	716
Department of the Treasury	162	153	9
Board of Accountancy	275	272	3
Board of Auctioneers	109	109	
Board of Barbering	109	103	6
Board of Chiropractic Examiners	43	39	4
Board of Dentistry	255	183	72
Board of Elections	130	130	
Board of Embalmers and Funeral Home Directors	103	92	11
Board of Examiners and Registration of Architects	77	75	2
Board of Examiners and Registration of Landscape Architects	15	14	1
Board of Examiners of Psychology	31	29	2
Board of Social Workers	47	46	1
Board of Hairdressers and Cosmetologists	518	412	106
Board of Licensing Hearing Aid Dealers and Fitters	14	12	2
Board of Licensure for Nursing Home Administrators	44	43	1
Board of Medical Licensure	629	604	25
Board of Nursing	918	834	84
Board of Ophthalmic Dispensers	13	7	6
Board of Optometric Examiners	46	46	
Personnel Board	24	24	
Board of Pharmacy	286	253	33
Board of Physical Therapists	54	51	3
Board of Podiatry	4	4	
Board for Proprietary Education	74	74	
Board of Registration for Professional Engineers and Land Surveyors	301	275	26
Board of Speech Pathology and Audiology	16	13	3
Board of Veterinary Examiners	92	92	
Athletic Commission	14	14	
Real Estate Commission - education	591	557	34
Real Estate Commission - operations	698	668	30
Council on Higher Education	1,433	456	977
Commission on Women	3	3	
Eastern Kentucky University	44,169	29,888	14,281
Kentucky State University	9,364	7,358	2,006
Morehead State University	20,643	12,938	7,705
Murray State University	22,828	20,924	1,904
Northern Kentucky University	17,115	14,487	2,628
University of Kentucky	243,491	218,470	25,021
University of Louisville	78,463	20,621	57,842
Western Kentucky University	29,954	28,683	1,271

	Budget	Actual	Variance favorable (unfavorable)
Department of Personnel	8,552	7,302	1,250
Horse Council	30		30
Campbell County fees	1,245	1,231	14
Daviess County fees	1,885	1,885	
Fayette County fees	5,125	5,125	
Jefferson County fees	13,914	13,914	
Kenton County fees	2,614	2,614	
Pike County fees	1,545	1,455	90
Capital Plaza Authority	1,736	329	1,407
Employees Deferred Compensation System	260	131	129
Kentucky Higher Education Assistance Authority	15,443	13,697	1,746
Kentucky Reinsurance Association - administration	68,600	68,314	286
Office for Investment and Debt Management	540	302	238
State Office for Social Security	385	354	31
Office of the Secretary - finance and administration	175	129	46
Governor's Office for Policy and Management	43	25	18
Department for Administration	481	238	243
Office of Historic Properties	18		18
Office of Governmental Services Center	1,150	946	204
Finance - central stores	4,158	4,087	71
Finance - central printing	3,275	3,106	169
Department of Facilities Management	28	11	17
Telecommunications	20,944	13,173	7,771
Property management	10,330	9,360	970
Department of Information Systems	23,488	21,604	1,884
Total general government	668,655	535,261	133,394
Legislative and judicial			
Legislative Research Commission	100	28	72
Court of Justice	1		1
Total legislative and judicial	101	28	73
Commerce			
Department of Agriculture	734	414	320
Kentucky State Fair Board	14,427	13,802	625
Department of Economic Development	808	701	107
Department of the Arts	329	305	24
Kentucky Development Finance Authority - industrial loans administration	9,737	522	9,215
Department of Fish and Wildlife Resources	13,510	12,695	815
Kentucky Horse Park	3,496	3,431	65
Department of Parks	32,540	31,266	1,274
Tobacco Research Board	25		25
Total commerce	75,606	63,136	12,470
Education and humanities			
Commission on Deaf and Hearing Impaired	2	1	1
Kentucky Oral History Commission	3		3
Kentucky Heritage Council	10	10	
Department for the Blind	1,798	1,518	280
Education - local services	15	1	14
Education - instructional services	891	710	181
Education - vocational education	21,421	18,746	2,675
Education - rehabilitation services	690	547	143
Education - general administration	3,070	2,639	431
Education - exceptional children	578	471	107
Education - administrative services and budget management	255	104	151
Kentucky Educational Television	462	421	41
Kentucky Historical Society	570	301	269
Department for Libraries and Archives	580	531	49
Teacher's Retirement System	1,644	1,544	100
Total education and humanities	31,989	27,544	4,445

	Budget	Actual	Variance favorable (unfavorable)
Energy			
Management	589	291	298
Total energy	589	291	298
Human resources			
Office of Executive Policy and Support	8,051	6,842	1,209
Department for Mental Health and Mental Retardation Services	38,947	38,554	393
Department for Health Services	5,621	5,360	261
Certificate of Need Authority	80	23	57
Commission for Handicapped Children	291	137	154
Department for Employment Services	4,986	3,310	1,676
Department for Social Insurance - administration	131	130	1
Department for Social Insurance - benefits	5,468	5,468	
Department for Medicaid Services	1,136	1,136	
Department for Social Services	9,606	7,199	2,407
Department for Medical Assistance	11	10	1
Total human resources	74,328	68,169	6,159
Justice			
Justice - administration	1,101	41	1,060
Department of State Police	1,407	1,076	331
Department of Training	9,303	8,612	691
Total justice	11,811	9,729	2,082
Natural resources and environmental protection			
Kentucky Nature Preserves Commission	199	168	31
Office of the Secretary	296	197	99
Department for Environmental Protection	1,068	927	141
Department for Natural Resources	5,805	5,120	685
Department for Surface Mining Reclamation and Enforcement	163	19	144
Total natural resources and environmental protection	7,531	6,431	1,100
Corrections			
Federal and agency accounts	558	435	123
Prison industries	8,763	7,505	1,258
Total corrections	9,321	7,940	1,381
Public protection and regulation			
Board of Claims and Crime Victims Compensation Board	373	342	31
Backside Improvement Commission	625	618	7
Kentucky Harness Racing Commission	1,379	900	479
Public Service Commission	4	4	
Kentucky State Racing Commission	3,477	3,113	364
Department of Public Advocacy	155	142	13
Alcholic Beverage Control Board	10	8	2
Department for Financial Institutions	2,798	2,798	
Department of Housing, Buildings, and Construction	11,867	10,522	1,345
Department of Insurance	2,154	1,949	205
Labor - workers claims	73,946	70,913	3,033
Labor - office of the secretary	2,187	1,961	226
Department of Mines and Minerals	1,488	1,224	264
Total public protection and regulation	100,463	94,494	5,969
Transportation			
Office of the Secretary - airport publications	10		10
Office of the Secretary - airport development construction	595	126	469
Highways - mass transportation development	1,003	17	986
Vehicle regulation - motor vehicle commission	1,454	624	828
Total transportation	3,060	767	2,293
Total expenditures	983,454	813,790	169,664
Excess of revenues over (under) expenditures	$	$ 128,060	$

See accompanying notes to combined financial statements.

Debt Service Fund

The Debt Service Fund accounts for the payment of principal, interest, and administrative fees due on general long-term debt issues of the Commonwealth, and for the accumulation of financial resources used to make such payments.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1986
(Expressed in Thousands)

Assets	
Cash and cash equivalents	$ 116,391
Cash with fiscal agents	89,638
Investments, net of amortization	14,259
Receivables, net	1,325
Interfund receivables	14,866
Total assets	$ 236,479
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	$ 26,379
Deferred revenue	223
Total liabilities	26,602
Fund balance:	
Reserved for:	
Revenue bond retirement	150,279
Unreserved:	
Designated for debt service	59,598
Total fund balance	209,877
Total liabilities and fund balance	$ 236,479

See accompanying notes to combined financial statements.

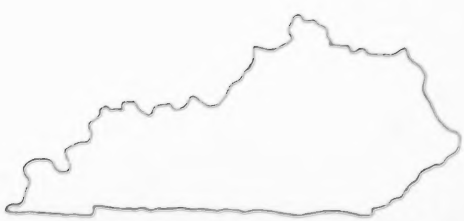
COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

Revenues:	
Interest and other investment income	$ 23,070
Total revenues	23,070
Expenditures:	
Principal retirement	66,659
Interest and fiscal charges	278,178
Other expenditures	50
Total expenditures	344,887
Excess of revenues over (under) expenditures	(321,817)
Other financing sources (uses):	
Operating transfers in - general fund	27,858
Operating transfers in - capital projects fund	2,027
Operating transfers in - transportation fund	100,282
Operating transfers in - federal fund	479
Operating transfers in - agency fund	39,592
Operating transfers in - other special revenue fund	9,506
Operating transfers in - state fair board fund	300
Operating transfers out - turnpike authority	(15,029)
Proceeds from sale of bonds	207,824
Increase cash with fiscal agents	26,372
Other financing sources - outside entities	5,187
Total other financing sources (uses)	404,398
Excess of revenues and other financing sources over (under) expenditures and other financing uses	82,581
Fund balance at July 1, 1985, as previously reported	125,963
Restatements	1,333
Fund balance at July 1, 1985, as restated	127,296
Fund balance at June 30, 1986	$ 209,877

See accompanying notes to combined financial statements.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources appropriated by the General Assembly and used to acquire and construct major capital facilities, except those financed by the proprietary funds and certain trust funds.



COMMONWEALTH OF KENTUCKY
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1986
(Expressed in Thousands)

Assets	
Cash and cash equivalents	$ 44,264
Investments, net of amortization	40,063
Receivables, net	6,828
Interfund receivables	1,428
Total assets	$ 92,583
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	$ 12,381
Interfund payables	2
Deferred revenue	1,917
Total liabilities	14,300
Fund balance:	
Reserved for:	
Encumbrances	11,291
Continued appropriations	63,841
Unreserved:	
Undesignated	3,151
Total fund balance	78,283
Total liabilities and fund balance	$ 92,583

See accompanying notes to combined financial statements.

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COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Intergovernmental	$	$ 29,890	$
Charges for services		24,259	
Fines and forfeits		4	
Interest and other investment income		15,015	
Other revenue		85,596	
Total revenues		154,764	
Expenditures:			
General government			
Military Affairs - general operations	6,510	3,972	2,538
Eastern Kentucky University	1,327	476	851
Kentucky State University	10,995	6,867	4,128
Morehead State University	956	481	475
Murray State University	2,647	1,678	969
Northern Kentucky University	2,095	657	1,438
University of Kentucky	31,033	18,322	12,711
University of Louisville	5,060	4,056	1,004
Western Kentucky University	937	375	562
Office of the Secretary - finance and administration	2,027	2,027	
Governor's Office for Policy and Management	3,533		3,533
Department of Facilities Management	5,215	1,142	4,073
Department of Information Systems	11,049	2,926	8,123
Unredeemed checks refunded	58		58
Total general government	83,442	42,979	40,463
Commerce			
Department of Agriculture	110	9	101
Kentucky State Fair Board	1,964	722	1,242
Commerce - office of the secretary	48,201	26,419	21,782
Department of Fish and Wildlife Resources	4,330	3,446	884
Kentucky Horse Park	1,144	905	239
Department of Parks	6,240	2,941	3,299
Total commerce	61,989	34,442	27,547
Education and humanities			
Department for the Blind	61	61	
Department for Education	4,391	2,089	2,302
Kentucky Educational Television	215	164	51
Department for Libraries and Archives	24	4	20
Kentucky School Building Authority	2,502	1,204	1,298
Total education and humanities	7,193	3,522	3,671
Energy			
Department of Research and Development	145	94	51
Office of Administration	9	7	2
Total energy	154	101	53
Human resources			
Office of Administrative Services	12,537	2,815	9,722
Department for Mental Health and Mental Retardation Services	12,054	4,640	7,414
Department for Social Services	1,421	603	818
Total human resources	26,012	8,058	17,954

	Budget	Actual	Variance favorable (unfavorable)
Justice			
Department of State Police	539	39	500
Total justice	539	39	500
Natural resources and environmental protection			
Kentucky Nature Preserves Commission	122	122	
Department for Environmental Protection	945	189	756
Department for Natural Resources	86,672	27,632	59,040
Total natural resources and environmental protection	87,739	27,943	59,796
Corrections			
Department of Adult Correctional Institutions	18,064	5,789	12,275
Total corrections	18,064	5,789	12,275
Public protection and regulation			
Department of Insurance	54	35	19
Total public protection and regulation	54	35	19
Transportation			
General administration and support	970	760	210
Total transportation	970	760	210
Total expenditures	286,156	123,668	162,488
Excess of revenues over (under) expenditures	$	$ 31,096	$

See accompanying notes to combined financial statements.

Enterprise Funds

The Enterprise Funds account for the Commonwealth's on-going operations that are similar to private business, when the intent is that the costs of providing goods and services to the general public will be financed primarily through customer charges. Kentucky uses the following Enterprise Funds:

State Parks
State Fair Board
Industries for the Blind
Horse Park
Kentucky Center for the Arts

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1986
(Expressed in Thousands)

	State Parks	State Fair Board	Industries for the Blind	Horse Park	Ky. Center for the Arts	Total June 30, 1986
Assets						
Current assets:						
Cash and cash equivalents	$ 10,527	$ 264	$ 59	$ 682	$ 299	$ 11,831
Cash with fiscal agents	11,187					11,187
Receivables, net	559	303	137	99	206	1,304
Interfund receivables	42	27		1		70
Inventories	2,893	82	145	206	59	3,385
Prepaid expenses	35	191		21	33	280
Total current assets	25,243	867	341	1,009	597	28,057
Fixed assets:						
Land	9,059	11,016	50	2,954		23,079
Improvements other than buildings	32,372			13,668		46,040
Buildings and improvements	52,630	102,546	988	9,386	389	165,939
Machinery and equipment	13,570	4,789	270	2,859	627	22,115
Construction in progress	1,580					1,580
Less accumulated depreciation	(42,565)	(23,997)	(531)	(8,473)	(148)	(75,714)
Total fixed assets, net	66,646	94,354	777	20,394	868	183,039
Total assets	$ 91,889	$ 95,221	$ 1,118	$ 21,403	$ 1,465	$ 211,096
Liabilities and Fund Equity						
Liabilities:						
Current liabilities:						
Accounts payable	$ 2,929	$ 446	$ 50	$ 187	$ 274	$ 3,886
Interfund payables	327	42	1	32		402
Current portion of compensated absences	634	150	43	47		874
Current portion of long-term debt	1,017				72	1,089
Current portion of lease-purchase obligations	347	23	1	2		373
Deferred revenue	955	516	8	103	185	1,767
Total current liabilities	6,209	1,177	103	371	531	8,391
Long-term liabilities:						
Compensated absences	1,037	201	31	54		1,323
Bonds payable	8,580					8,580
Notes payable					281	281
Lease-purchase obligations	500	17	1			518
Total long-term liabilities	10,117	218	32	54	281	10,702
Total liabilities	16,326	1,395	135	425	812	19,093
Fund equity:						
Contributed capital		68,813		19,590		88,403
Retained earnings:						
Reserved for:						
Revenue bond retirement	11,541					11,541
Encumbrances	288					288
Unreserved	63,734	25,013	983	1,388	653	91,771
Total fund equity	75,563	93,826	983	20,978	653	192,003
Total liabilities and fund equity	$ 91,889	$ 95,221	$ 1,118	$ 21,403	$ 1,465	$ 211,096

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	State Parks	State Fair Board	Industries for the Blind	Horse Park	Ky. Center for the Arts	Total June 30, 1986
Operating revenues:						
Charges for services	$ 28,915	$ 13,447	$ 1,222	$ 2,922	$ 1,868	$ 48,374
Other operating revenue	556	7				563
Total operating revenues	29,471	13,454	1,222	2,922	1,868	48,937
Operating expenses:						
Personal services	25,154	7,314	878	1,940	1,777	37,063
Utilities, rentals, and other services	7,526	4,793	113	810	391	13,633
Commodities and supplies	14,516	981	698	1,308	201	17,704
Grants and subsidies	25	553				578
Depreciation and amortization	4,177	2,871	46	1,720	80	8,894
Travel	205	54	3	18	623	903
Total operating expenses	51,603	16,566	1,738	5,796	3,072	78,775
Operating income (loss)	(22,132)	(3,112)	(516)	(2,874)	(1,204)	(29,838)
Nonoperating revenues (expenses):						
Intergovernmental revenues			87		643	730
Grants and donations					213	213
Membership revenue					165	165
Kentucky Center for the Arts endowment					325	325
Gain (loss) on sale of fixed assets	91					91
Interest and other investment income	1,007				31	1,038
Interest expense	(449)	(5)			(29)	(483)
Judgements and contingencies	(267)	(3)				(270)
Other expenses	(9)					(9)
Total nonoperating revenues (expenses)	373	(8)	87		1,348	1,800
Income (loss) before operating transfers	(21,759)	(3,120)	(429)	(2,874)	144	(28,038)
Operating transfers in	23,590	5,751	456	1,902		31,699
Operating transfers out	(1,395)	(5,885)		(1,406)		(8,686)
Net income (loss)	436	(3,254)	27	(2,378)	144	(5,025)
Add depreciation on fixed assets acquired by capital grants		2,720		1,581		4,301
Increase (decrease) in retained earnings	436	(534)	27	(797)	144	(724)
Retained earnings at July 1, 1985, as previously reported	78,842	26,224	1,001	2,074	509	108,650
Restatements	(3,715)	(677)	(45)	111		(4,326)
Retained earnings at July 1, 1985, as previously reported/restated	75,127	25,547	956	2,185	509	104,324
Retained earnings at June 30, 1986	$ 75,563	$ 25,013	$ 983	$ 1,388	$ 653	$ 103,600

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	State Parks	State Fair Board	Industries for the Blind	Horse Park	Ky. Center for the Arts	Total June 30, 1986
Sources of working capital:						
Operations:						
Net income (loss)	$ 436	$ (3,254)	$ 27	$ (2,378)	$ 144	$ (5,025)
Items not requiring (providing) working capital:						
Depreciation and amortization	4,177	2,871	46	1,720	80	8,894
(Gain) loss on sale of fixed assets	(91)					(91)
Working capital provided by operations	4,522	(383)	73	(658)	224	3,778
Proceeds from fixed asset dispositions	167					167
Other sources of working capital	191					191
Total sources of working capital	4,880	(383)	73	(658)	224	4,136
Uses of working capital:						
Acquisition of fixed assets	3,582	68	117	74	145	3,986
Decrease in long-term compensated absences	254	63	32	2		351
Decrease in long-term of lease obligations		23	1	2		26
Decrease in long-term debt	520				74	594
Total uses of working capital	4,356	154	150	78	219	4,957
Net increase (decrease) in working capital	$ 524	$ (537)	$ (77)	$ (736)	$ 5	$ (821)
Elements of net increase (decrease) in working capital:						
Cash and cash equivalents	$ 210	$ (86)	$ (11)	$ (394)	$ (68)	$ (349)
Cash with fiscal agents	646					646
Receivables, net	126	4	(12)	28	7	153
Interfund receivables	38	(158)	(9)	(5)		(134)
Inventories	502	(29)	14	(158)	(1)	328
Prepaid expenses	2	(98)		6	4	(86)
Accounts payable	83	(33)	(14)	(56)	87	67
Interfund payables	(169)	3	(1)	(11)		(178)
Deferred revenue	(56)	12	(1)	(99)	(17)	(161)
Current portion of compensated absences	(634)	(150)	(43)	(47)		(874)
Current portion of long-term debt					(7)	(7)
Current portion of lease-purchase obligations	(224)	(2)				(226)
Net increase (decrease) in working capital	$ 524	$ (537)	$ (77)	$ (736)	$ 5	$ (821)

See accompanying notes to combined financial statements.

Internal Service Funds

Internal Service Funds account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies or governments. Kentucky uses the following Internal Service Funds:

Computer Services
Central Stores
Telecommunications
Prison Industries
Central Printing
Property Management

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 1986
(Expressed in Thousands)

	Computer Services	Central Stores	Telecom-munications	Prison Industries	Central Printing	Property Management	Total June 30, 1986
Assets							
Current assets:							
Cash and cash equivalents	$ 1,050	$ 554	$ 1,363	$ 941	$ 354	$ 10,177	$ 14,439
Receivables, net			62	1,486	270	662	2,480
Interfund receivables	301		8	120			429
Inventories	55	657		2,226	426	198	3,562
Prepaid expenses	13						13
Total current assets	1,419	1,211	1,433	4,773	1,050	11,037	20,923
Fixed assets:							
Land		40		768		111	919
Improvements other than buildings		3	356			11	370
Buildings and improvements	5,360	530	1,543	2,589		475	10,497
Machinery and equipment	17,987	62	12,747	4,271	1,117	853	37,037
Less accumulated depreciation	(10,362)	(265)	(6,242)	(3,071)	(823)	(389)	(21,152)
Total fixed assets, net	12,985	370	8,404	4,557	294	1,061	27,671
Total assets	$14,404	$ 1,581	$ 9,837	$ 9,330	$ 1,344	$ 12,098	$ 48,594
Liabilities and Fund Equity							
Liabilities:							
Current liabilities:							
Accounts payable	$ 1,034	$ 172	$ 869	$ 452	$ 248	$ 3,613	$ 6,388
Interfund payables			6	40		9	55
Current portion of compensated absences	771	14	78	106	87	348	1,404
Current portion of lease-purchase obligations	4,364		26	15	22		4,427
Deferred revenues	443			49	135		627
Total current liabilities	6,612	186	979	662	492	3,970	12,901
Long-term liabilities:							
Compensated absences	651	8	51	128	62	288	1,188
Lease-purchase obligations	5,179		7	47	41		5,274
Total long-term liabilities	5,830	8	58	175	103	288	6,462
Total liabilities	12,442	194	1,037	837	595	4,258	19,363
Fund equity:							
Retained earnings:							
Unreserved	1,962	1,387	8,800	8,493	749	7,840	29,231
Total fund equity	1,962	1,387	8,800	8,493	749	7,840	29,231
Total liabilities and fund equity	$14,404	$ 1,581	$ 9,837	$ 9,330	$ 1,344	$ 12,098	$ 48,594

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
JUNE 30, 1986
(Expressed in Thousands)

	Computer Services	Central Stores	Telecom-munications	Prison Industries	Central Printing	Property Management	Total June 30, 1986
Operating revenues:							
Charges for services	$20,832	$ 4,173	$ 12,735	$ 8,415	$ 3,077	$ 14,481	$ 63,713
Other operating revenue	8		2	2	53	51	116
Total operating revenues	20,840	4,173	12,737	8,417	3,130	14,532	63,829
Operating expenses:							
Personal services	13,141	255	1,416	2,180	1,577	6,876	25,445
Utilities, rentals, and other services	3,605	156	10,794	521	535	5,096	20,707
Commodities and supplies	908	3,675	346	2,456	1,009	1,173	9,567
Grants and subsidies				1,191		3	1,194
Depreciation and amortization	4,442	14	1,109	553	113	93	6,324
Travel	50		16	24	4	112	206
Total operating expenses	22,146	4,100	13,681	6,925	3,238	13,353	63,443
Operating income (loss)	(1,306)	73	(944)	1,492	(108)	1,179	386
Nonoperating revenues (expenses):							
Intergovernmental revenue			125			7	132
Gain (loss) on sale of fixed assets			2	(55)	(54)	1	(106)
Judgements				(128)			(128)
Interest expenses			(4)	(4)	(8)		(16)
Total nonoperating revenues (expenses)			123	(187)	(62)	8	(118)
Income (loss) before operating transfers	(1,306)	73	(821)	1,305	(170)	1,187	268
Operating transfers in	1,339				132	4,170	5,641
Operating transfers out			(100)			(1,725)	(1,825)
Net income (loss)	33	73	(921)	1,305	(38)	3,632	4,084
Retained earnings at July 1, 1985, as previously reported	1,673	1,334	9,765	6,810	920	4,738	25,240
Restatements	256	(20)	(44)	378	(133)	(530)	(93)
Fund balance at July 1, 1985, as restated	1,929	1,314	9,721	7,188	787	4,208	25,147
Retained earnings at June 30, 1986	$ 1,962	$ 1,387	$ 8,800	$ 8,493	$ 749	$ 7,840	$ 29,231

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Computer Services	Central Stores	Telecom-munications	Prison Industries	Central Printing	Property Management	Total June 30, 1986
Sources of working capital:							
Operations:							
Net income (loss)	$ 33	$ 73	$ (921)	$ 1,305	$ (38)	$ 3,632	$ 4,084
Items not requiring (providing) working capital:							
Depreciation and amortization	4,442	14	1,109	553	113	93	6,324
(Gain) loss on sale of fixed assets			(2)	55	54	(1)	106
Working capital provided by operations	4,475	87	186	1,913	129	3,724	10,514
Proceeds from sale of fixed assets			2	109	40	1	152
Increase in long-term lease liability				14			14
Other sources of working capital		1					1
Total sources of working capital	4,475	88	188	2,036	169	3,725	10,681
Uses of working capital:							
Acquisition of fixed assets	913		146	428	10	379	1,876
Decrease in long-term compensated absences	620	14	60	69	57	262	1,082
Decrease in long-term lease purchase obligations	4,287		26		21		4,334
Other uses of working capital	1				3		4
Total uses of working capital	5,821	14	232	497	91	641	7,296
Net increase (decrease) in working capital	$(1,346)	$ 74	$ (44)	$ 1,539	$ 78	$ 3,084	$ 3,385
Elements of net increase (decrease) in working capital:							
Cash and cash equivalents	$ (592)	$ 113	$ (168)	$ (73)	$ 142	$ 6,391	$ 5,813
Receivables, net	(150)		(43)	669	75	281	832
Interfund receivables	147		(14)	11	(1)	(47)	96
Inventories	15	13		718	91	(13)	824
Prepaid expenses	13						13
Accounts payable	146	(38)	259	(51)	(76)	(3,181)	(2,941)
Interfund payables	22		2	(31)		1	(6)
Deferred revenue	521			399	(64)		856
Current portion of compensated absences	(771)	(14)	(78)	(106)	(87)	(348)	(1,404)
Current portion of lease-purchase obligations	(697)		(2)	3	(2)		(698)
Net increase (decrease) in working capital	$(1,346)	$ 74	$ (44)	$ 1,539	$ 78	$ 3,084	$ 3,385

See accompanying notes to combined financial statements.

Debt Issuing Authorities

The Kentucky General Assembly has created thirty debt issuing authorities, seventeen of which currently have bonds or notes outstanding to finance various projects and programs. The financial operations of the State Property and Buildings Commission, Turnpike Authority of Kentucky, and Kentucky School Building Authority are reflected in the governmental fund type statements. The college and university fund type statements reflect the operations of the eight state supported universities. The remaining six of these authorities sell debt to finance facilities or projects that are not used directly for state purposes and receive no appropriations from the General Assembly for payment of debt service on their borrowings. These outside entities are as follows:

Kentucky Agricultural Finance Corporation
Kentucky Local Correctional Facilities Construction Authority
Kentucky Housing Corporation
Kentucky Pollution Abatement and Water Resources Finance Authority
Kentucky Higher Education Student Loan Corporation
Kentucky Development Finance Authority

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
DEBT ISSUING AUTHORITIES
JUNE 30, 1986
(Expressed in Thousands)

	Kentucky Agricultural Finance Authority	Kentucky Local Correctional Facilities Construction Authority	Kentucky Housing Corporation	Kentucky Pollution Abatement Authority	Kentucky Higher Education Student Loan Corporation	Kentucky Development Finance Authority	Total June 30, 1986
Assets							
Current assets:							
Cash and cash equivalents	$ 8,064	$ 27,306	$ 319,912	$ 29,489	$ 391	$ 24,163	$ 409,325
Cash with fiscal agents					293		293
Investments, net of amortization					99,677	3,219	102,896
Receivables, net		589	841		7,654	355	9,439
Prepaid expenses			14,696	714	5,867		21,277
Other current assets		1,006	36				1,042
Total current assets	8,064	28,901	335,485	30,203	113,882	27,737	544,272
Other assets:							
Long-term investments			448				448
Long-term receivables		2,469	626,156	30,909	275,950	39,215	974,699
Total other assets		2,469	626,604	30,909	275,950	39,215	975,147
Fixed assets:							
Land			120				120
Buildings and improvements			53				53
Machinery and equipment			290			762	1,052
Less accumulated depreciation			(98)				(98)
Total fixed assets, net			365			762	1,127
Total assets	$ 8,064	$ 31,370	$ 962,454	$ 61,112	$ 389,832	$ 67,714	$ 1,520,546
Liabilities and Fund Equity							
Liabilities:							
Current liabilities:							
Accounts payable and accruals	$ 5,898	$ 3,081	$ 33,840	$ 799	$ 2,881	$ 61	$ 46,560
Current portion of long-term debt		227	16,895			104	17,226
Deferred revenue			1,691	552		90	2,333
Other current liabilities			6,645				6,645
Total current liabilities	5,898	3,308	59,071	1,351	2,881	255	72,764
Long-term liabilities:							
Notes payable				20,000		8	20,008
Bonds payable		31,320	805,820	29,342	372,985		1,239,467
Total long-term liabilities		31,320	805,820	49,342	372,985	8	1,259,475
Total liabilities	5,898	34,628	864,891	50,693	375,866	263	1,332,239
Fund equity:							
Retained earnings:							
Reserved for revenue bond retirement	2,166	(3,258)	88,517	10,419	13,966	67,451	179,261
Unreserved			9,046				9,046
Total fund equity	2,166	(3,258)	97,563	10,419	13,966	67,451	188,307
Total liabilities and fund equity	$ 8,064	$ 31,370	$ 962,454	$ 61,112	$ 389,832	$ 67,714	$ 1,520,546

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
DEBT ISSUING AUTHORITIES
FOR THE YEAR ENDED JUNE 30, 1986

	Kentucky Agricultural Finance Authority	Kentucky Local Correctional Facilities Construction Authority	Kentucky Housing Corporation	Kentucky Pollution Abatement Authority	Kentucky Higher Education Student Loan Corporation	Kentucky Development Finance Authority	Total June 30, 1986
Operating revenues:							
Charges for services	$ 12,130	$ 5,842	$ 2,778	$	$	$ 351	$ 21,101
Interest and other investment income		3,604	77,386	4,685	33,543	4,381	123,599
Other		24	199	33		18	274
Total operating revenues	12,130	9,470	81,249	4,718	33,543	4,750	144,860
Operating expenses:							
Personal services	7,309	21	369			313	8,756
Utilities, rentals, and other services			7,044			37	3,439
Commodities and supplies			130				130
Grants and subsidies		17,949	4,246				17,195
Depreciation and amortization		88	7,412	190	1,206		8,455
Interest		3,485	60,074	3,184	28,152	7	94,897
Other	1,945	23	2,048	29	4,748	309	9,473
Total operating expenses	9,954	19,566	73,511	3,403	33,781	622	139,838
Net income (loss)	2,166	(10,096)	8,938	1,315	(238)	3,965	7,062
Retained earnings at July 1, 1985, as previously reported		6,838	88,835	9,504	11,959	83,749	181,185
Equity transfers in (out)					(283)	(253)	(536)
Retained earnings at June 30, 1986	$ 2,166	$ (3,258)	$ 97,503	$ 10,819	$ 11,438	$ 87,461	$ 188,131

See accompanying notes to combined financial statements.

[redacted]

" I see prosperous times ahead for all Kentuckians. I'm not just talking about the people who will receive jobs at the new and expanding businesses. Kentucky's growth and prosperity will benefit all of us. "

Gov. Collins
Mason County Chamber of Commerce
January 17, 1986

Trust and Agency Funds

Kentucky utilizes four types of Trust and Agency Funds to account for assets held as trustee or agent for individuals, private organizations, or other governments as follows:

Expendable Trust Funds:	Fire and Tornado Insurance Unemployment Compensation Special Benefits
Nonexpendable Trust Funds:	Endowments
Pension Trust Funds:	Kentucky Employes Retirement System State Police Retirement System Teachers' Retirement System Judicial Retirement System Legislators' Retirement System County Retirement System Kentucky Retirement System Insurance
Agency Funds:	Kentucky Public Employees Deferred Compensation System County Sinking Special Deposit Trust

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1986
(Expressed in Thousands)

	Expendable Trust Funds		
	Fire and Tornado Insurance	Unemployment Compensation	Special Benefits
Assets			
Cash and cash equivalents	$ 2,878	$ 1,067	$ 50,252
Cash with fiscal agents			
Cash on deposit with Federal Government		111,810	
Investments, net of amortization	4,017		27,790
Receivables, net	19	88,719	10,109
Prepaid expenses			
Fixed assets			
Other assets			
Total assets	$ 6,914	$ 201,596	$ 88,151
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 17	$ 44,824	$ 1,077
Interfund payables		105	25
Deferred revenue	17	59,266	3,697
Amounts held in custody for others			
Other liabilities			
Total liabilities	34	104,195	4,799
Fund balances:			
Reserved for:			
Investments	4,921		204
Employee retirement systems			
Unreserved:			
Undesignated	1,959	97,401	83,148
Total fund balances	6,880	97,401	83,352
Total liabilities and fund balances	$ 6,914	$ 201,596	$ 88,151

See accompanying notes to combined financial statements.

			Agency Funds			Total
	Endowments	Pension Trust	Deferred Compensation	County Sinking	Special Deposit Trust	June 30, 1986
	$ 393	$ 631,164	$ 99,084	$ 4,589	$ 50,185	$ 839,612
				743		743
						111,810
	11	3,326,877				3,358,695
	11	126,500	116	8	5	225,487
		6,348				6,348
		96				96
		500				500
	$ 415	$4,091,485	$ 99,200	$ 5,340	$ 50,190	$4,543,291
	$	$ 2,101	$	$	$	$ 48,019
					5	135
				8		62,988
			99,200	5,332	50,185	154,717
		48				48
		2,149	99,200	5,340	50,190	265,907
	165					5,290
		4,089,336				4,089,336
	250					182,758
	415	4,089,336				4,277,384
	$ 415	$4,091,485	$ 99,200	$ 5,340	$ 50,190	$4,543,291

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
PENSION TRUST FUNDS
JUNE 30, 1986
(Expressed in Thousands)

	Pension Trust Funds							
	Kentucky Employes Retirement System	State Police Retirement System	Teachers' Retirement System	Judicial Retirement System	Legislators' Retirement System	County Employes Retirement System	Kentucky Retirement System Insurance	Total June 30, 1986
Assets								
Cash and cash equivalents	$ 195,829	$ 17,345	$ 279,945	$ 27,084	$ 6,691	$ 99,172	$ 5,098	$ 631,164
Investments net of amortization	862,904	77,492	1,915,721	21,171	4,306	445,283		3,326,877
Accrued investment income	13,445	1,193	26,470			6,985		48,093
Receivables, net	3,826	262	22,216			51,633	470	78,407
Prepaid expenses	4,352	419	43			1,534		6,348
Fixed assets			96					96
Other assets	31	3				15	451	500
Total assets	$1,080,387	$ 96,714	$2,244,491	$ 48,255	$ 10,997	$ 604,622	$ 6,019	$4,091,485
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ 1,034	$ 47	$ 214	$	$	$ 806	$	$ 2,101
Other liabilities			48					48
Total liabilities	1,034	47	262	-0-	-0-	806	-0-	2,149
Fund balances:								
Reserved for:								
Employee retirement system	1,079,353	96,667	2,244,229	48,255	10,997	603,816	6,019	4,089,336
Total fund balances	1,079,353	96,667	2,244,229	48,255	10,997	603,816	6,019	4,089,336
Total liabilities and fund balances	$1,080,387	$ 96,714	$2,244,491	$ 48,255	$ 10,997	$ 604,622	$ 6,019	$4,091,485

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Fire and Tornado Insurance	Unemployment Compensation	Special Benefits	Total June 30, 1986
Revenues:				
Taxes	$	$ 174,146	$ 76,184	$ 250,330
Intergovernmental		7,765		7,765
Charges for services		(223)	367	144
Fines and forfeits		1,463		1,463
Interest and other investment income	211	8,955	2,602	11,768
Other revenue	3,562	26,710	34,937	65,209
Total revenues	3,773	218,816	114,090	336,679
Expenditures:				
General government			127	127
Education and humanities			2	2
Human resources		238,986	536	239,522
Public protection and regulation	1,956		67,069	69,025
Total expenditures	1,956	238,986	67,734	308,676
Excess of revenues over (under) expenditures	1,817	(20,170)	46,356	28,003
Other financing sources (uses):				
Operating transfers in	150		800	950
Operating transfers out	(2,333)	(638)	(4,786)	(7,757)
Other financing uses			(4)	(4)
Total other financing sources (uses)	(2,183)	(638)	(3,990)	(6,811)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(366)	(20,808)	42,366	21,192
Fund balances at July 1, 1985, as previously reported	7,373	118,209	41,059	166,641
Restatements			(73)	(73)
Fund balances at July 1, 1985, as previously reported/restated	7,373	118,209	40,986	166,568
Equity transfers in (out)	(127)			(127)
Fund balances at June 30, 1986	$ 6,889	$ 97,401	$ 83,352	$ 187,633

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Endowments	Pension Trust Funds		
		Kentucky Employes Retirement System	State Police Retirement System	Teachers' Retirement System
Operating revenues:				
Contributions	$ 235	$ 81,915	$ 6,326	$ 243,740
Interest and other investment income	60	84,347	7,453	331,089
Other operating revenue		32,275	2,698	
Total operating revenues	295	198,537	16,477	574,829
Operating expenses:				
Administrative expenses	80	839	18	1,881
Benefits		43,963	4,357	143,327
Refunds of contributions		5,105	73	7,383
Depreciation and amortization				31
Other expenses	3	280	25	14,516
Total operating expenses	83	50,187	4,473	167,138
Operating income (loss)	212	148,350	12,004	407,691
Income (loss) before operating transfers	212	148,350	12,004	407,691
Operating transfers in				
Operating transfers out		(3,478)	(353)	
Net income (loss)	212	144,872	11,651	407,691
Retained earnings at July 1, 1985, as previously reported	203	934,481	85,016	1,836,389
Restatements				149
Retained earnings at July 1, 1985 as restated	203	934,481	85,016	1,836,538
Retained earnings at June 30, 1986	$ 415	$1,079,353	$ 96,667	$2,244,229

See accompanying notes to combined financial statements.

Pension Trust Funds				
Judicial Retirement System	Legislators' Retirement System	County Employes Retirement System	Kentucky Retirement System Insurance	Total June 30, 1986
$ 577	$ 176	$ 89,588	$	$ 422,557
4,059	851	44,216	379	472,454
9		16,706		51,688
4,645	1,027	150,510	379	946,699
42	7	750	5,080	8,697
1,898	154	17,329		211,028
87		4,975		17,623
				31
		142		14,966
2,027	161	23,196	5,080	252,345
2,618	866	127,314	(4,701)	694,354
2,618	866	127,314	(4,701)	694,354
2,171	1,144		5,372	8,687
		(1,542)		(5,373)
4,789	2,010	125,772	671	697,668
43,466	8,987	478,044	5,348	3,391,934
				149
43,466	8,987	478,044	5,348	3,392,083
$ 48,255	$ 10,997	$ 603,816	$ 6,019	$4,089,751

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
NONEXPENDABLE TRUST AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Endowments	Pension Trust Funds: Kentucky Employes Retirement System	Pension Trust Funds: State Police Retirement System	Pension Trust Funds: Teachers' Retirement System
Sources of working capital:				
Operations:				
Net income	$ 212	$ 144,872	$ 11,651	$ 407,691
Items not requiring (providing) working capital:				
Depreciation and amortization		(4,422)	(482)	31
Working capital provided by operations	212	140,450	11,169	407,722
Total sources of working capital	212	140,450	11,169	407,722
Uses of working capital:				
Purchase of long-term investments	9	95,214	8,105	445,591
Other uses of working capital				35
Total uses of working capital	9	95,214	8,105	445,626
Net increase (decrease) in working capital	$ 203	$ 45,236	$ 3,064	$ (37,904)
Elements of net increase (decrease) in working capital:				
Cash and cash equivalents	$ 196	$ 40,385	$ 2,237	$ (38,123)
Investments, net of amortization				
Accrued investment income		(101)	(23)	(4,424)
Receivables, net	7	687	48	4,998
Prepaid expenses				(11)
Other assets		4,334	417	(205)
Accounts payable		(69)	385	(155)
Other liabilities				16
Net increase (decrease) in working capital	$ 203	$ 45,236	$ 3,064	$ (37,904)

See accompanying notes to the combined financial statements.

Pension Trust Funds				
Judicial Retirement System	Legislators' Retirement System	County Employes Retirement System	Kentucky Retirement System Insurance	Total June 30, 1986
$ 4,789	$ 2,010	$ 125,772	$ 671	$ 697,668
		(2,108)		(6,981)
4,789	2,010	123,664	671	690,687
4,789	2,010	123,664	671	690,687
		59,675		608,594
				35
		59,675		608,629
$ 4,789	$ 2,010	$ 63,989	$ 671	$ 82,058
$ 27,976	$ 6,688	$ 18,523	$ 560	$ 57,542
(22,284)	(4,659)			(26,943)
		(5,350)		(9,898)
(3)	(19)	44,109	(340)	49,487
				(11)
		6,976	451	11,973
		(269)		(108)
				16
$ 4,789	$ 2,010	$ 63,989	$ 671	$ 82,058

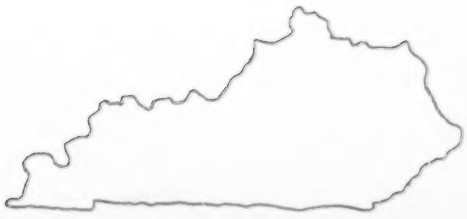
COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Balance July 1, 1985	Additions	Deductions	Balance June 30,1986
COUNTY SINKING FUND				
Assets				
Cash and cash equivalents	$ 5,281	$ 69,117	$ 69,809	$ 4,589
Cash with fiscal agents	654	1,600	1,511	743
Accounts receivable		8		8
Total assets	$ 5,935	$ 70,725	$ 71,320	$ 5,340
Liabilities				
Deferred revenue	$	$ 8	$	$ 8
Amounts held in custody for others	5,935	1,086	1,689	5,332
Total liabilities	$ 5,935	$ 1,094	$ 1,689	$ 5,340
SPECIAL DEPOSIT TRUST FUND				
Assets				
Cash and cash equivalents	$ 44,277	$1,350,003	$1,344,095	$ 50,185
Accounts receivable	37		32	5
Total assets	$ 44,314	$1,350,003	$1,344,127	$ 50,190
Liabilities				
Due to other funds	$ 1	$ 4	$	$ 5
Amounts held in custody for others	44,313	722,159	716,287	50,185
Total liabilities	$ 44,314	$ 722,163	$ 716,287	$ 50,190
KENTUCKY PUBLIC EMPLOYEES DEFERRED COMPENSATION SYSTEM				
Assets				
Cash and cash equivalents	$ 79,916	$ 35,972	$ 16,804	$ 99,084
Accounts receivable	452		336	116
Total assets	$ 80,368	$ 35,972	$ 17,140	$ 99,200
Liabilities				
Accounts payable	$ 201	$	$ 201	$
Amounts held in custody for others	80,167	35,972	16,939	99,200
Total liabilities	$ 80,368	$ 35,972	$ 17,140	$ 99,200
ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	$ 129,474	$1,455,092	$1,430,708	$ 153,858
Cash with fiscal agents	654	1,600	1,511	743
Accounts receivable	489	8	368	129
Total assets	$ 130,617	$1,456,700	$1,432,587	$ 154,730
Liabilities				
Due to other funds	$ 1	$ 4	$	$ 5
Deferred revenue		8		8
Accounts payable	201		201	
Amounts held in custody for others	130,415	759,217	734,915	154,717
Total liabilities	$ 130,617	$ 759,229	$ 735,116	$ 154,730

See accompanying notes to combined financial statements.

General Fixed Assets Account Group

The General Fixed Assets Account Group accounts for the Commonwealth's fixed assets, except those related to the proprietary or trust funds that are accounted for in those funds.



COMMONWEALTH OF KENTUCKY
STATMENT OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 1986
(Expressed in Thousands)

General fixed assets:	
Land	$ 40,352
Buildings	359,821
Equipment	285,204
Construction in progress	41,541
Total general fixed assets	$ 726,918
Investment in general fixed assets from:	
General fund revenues	$ 16,464
Special revenue funds revenues	117,870
Donations	496
Other	20,813
Capital projects fund:	
State appropriations	4,999
Revenue bonds	32,016
Federal grants	49
Other	12,872
Fixed assets acquired prior to July 1, 1984	521,339
Total investment in general fixed assets	$ 726,918

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1986
(Expressed in Thousands)

Function and Activity	Land	Buildings	Equipment	Total June 30, 1986
General government:				
Cabinet for General Government	$ 518	$ 19,883	$ 8,209	$ 28,610
Finance and Administration Cabinet	3,975	93,900	2,145	100,020
Revenue Cabinet			2,397	2,397
Total general government	4,493	113,783	12,751	131,027
Legislative and judicial			8,541	8,541
Commerce:				
Commerce Cabinet	2,218	3,748	2,558	8,524
Tourism Cabinet	14,115	2,553	8,580	25,248
Total commerce	16,333	6,301	11,138	33,772
Education and humanities	3,463	94,239	67,652	165,354
Energy	2,577	4,364	7,746	14,687
Human resources	3,487	57,976	18,381	79,844
Justice	439	7,461	25,763	33,663
Natural resources and environmental protection	3,810	1,034	16,911	21,755
Corrections	315	39,420	8,505	48,240
Public protection and regulation:				
Public Protection and Regulation Cabinet	288	220	4,383	4,891
Labor Cabinet			1,454	1,454
Total public protection and regulation	288	220	5,837	6,345
Transportation	5,147	35,023	101,979	142,149
Total general fixed assets allocated to functions	40,352	359,821	285,204	685,377
Construction in progress		41,541		41,541
Total general fixed assets	$ 40,352	$ 401,362	$ 285,204	$ 726,918

See accompanying notes to combined financial statements.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
JUNE 30, 1986
(Expressed in Thousands)

Function and Activity	General Fixed Assets July 1, 1985	Additions	Retirements	General Fixed Assets June 30, 1986
General government:				
Cabinet for General Government	$ 27,436	$ 1,447	$ 273	$ 28,610
Finance and Administration Cabinet	99,900	221	101	100,020
Revenue Cabinet	2,031	1,000	634	2,397
Total general government	129,367	2,668	1,008	131,027
Legislative and judicial	7,836	854	149	8,541
Commerce:				
Commerce Cabinet	8,123	520	119	8,524
Tourism Cabinet	23,488	1,941	181	25,248
Total commerce	31,611	2,461	300	33,772
Education and humanities	160,534	5,853	1,033	165,354
Energy	14,176	511	-0-	14,687
Human resources	68,136	11,809	92	79,844
Justice	32,393	2,628	1,358	33,663
Natural resources and environmental protection	19,259	3,181	685	21,755
Corrections	47,987	337	84	48,240
Public protection and regulation:				
Public Protection and Regulation Cabinet	4,941	313	363	4,891
Labor Cabinet	1,194	267	7	1,454
Total public protection and regulation	6,135	580	370	6,345
Transportation	126,046	22,695	6,592	142,149
Total general fixed assets allocated to functions	643,480	53,568	11,671	685,377
Construction in progress	50,383	14,609	23,451	41,541
Total general fixed assets	$ 693,863	$ 68,177	$ 35,122	$ 726,918

See accompanying notes to combined financial statements.

General Long-Term Obligations Account Group

The General Long-Term Obligations Account Group accounts for the Commonwealth's unmatured general long-term liabilities. Similar debt related to the proprietary or trust funds is accounted for in those funds.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED JUNE 30, 1986
(Expressed in Thousands)

	Compensated Absences	Capital Leases	General Obligation Bonds	State Supported Revenue Bonds	Other Long-term Obligations	Total
Balance at July 1, 1985	$ 75,205	$ 2,958	$ 186,010	$1,453,055	$ 605,971	$2,323,199
Obligations incurred		366		515,420	102,146	617,932
Obligations retired		(1,160)	(21,360)	(401,833)		(424,353)
Other changes	1,438	(258)				1,180
Balance at June 30, 1986	$ 76,643	$ 1,906	$ 164,650	$1,566,642	$ 708,117	$2,517,958

See accompanying notes to combined financial statements.

University and College Funds

The University and College Funds account for transactions relating to the eight state supported universities, including the community colleges that are part of the University of Kentucky system. These institutions maintain their own financial records which are not part of the central accounting system operated by the Finance and Administration Cabinet. The following universities and colleges are included:

Eastern Kentucky University
Kentucky State University
Morehead State University
Murray State University
Northern Kentucky University
University of Kentucky
University of Louisville
Western Kentucky University

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ALL UNIVERSITY AND COLLEGE FUNDS
JUNE 30, 1986
(Expressed in Thousands)

	Current Funds					
	Unrestricted	Auxiliary Enterprises and Hospitals	Restricted	Loan	Endowment and Similar	Agency
Assets						
Cash and cash equivalents	$ 73,448	$ 5,034	$ 16,639	$ 6,953	$ 156	$ 3,738
Cash with fiscal agents						
Investments	8,343	2,049	36,447		29,790	178
Receivables:						
State agencies	804		850			
Others	14,916	19,266	4,128	43,653	7	60
Interfund receivables	2,318	21,947		5		14
Inventories	10,984	4,016	111			
Land						
Improvements other than buildings						
Buildings and improvements						
Equipment						
Library books						
Livestock						
Construction in progress						
Fixed assets						
Other	2,226	486	34			
Total assets	$ 113,039	$ 52,798	$ 58,209	$ 50,611	$ 29,953	$ 3,990
Liabilities and Fund Equity						
Liabilities:						
Accounts payable:						
State agencies	$ 153	$	$ 9	$ 25	$	$
Others	13,884	2,429	9,561	197		363
Accrued liabilities	21,288	2,502	454			
Interfund payables	1,017	104	22,115	41		
Deposits and advance payments	71	226				
Deferred revenue	13,430	1,384	1,004			
Notes payable						3
Bonds payable						
Amounts held in custody for others						3,624
Other	3,289	1,129	477			
Total liabilities	53,132	7,774	33,620	263	0	3,990
Fund equity:						
Investment in fixed assets						
Fund balances						
Reserved for:						
Encumbrances and contracts	5,291	92	17			
Other specific purposes	47,387	43,914	24,308	50,348	29,953	
Unreserved:						
Designated for universities and colleges	7,229	1,018	264			
Total fund equity	59,907	45,024	24,589	50,348	29,953	
Total liabilities and fund equity	$ 113,039	$ 52,798	$ 58,209	$ 50,611	$ 29,953	$ 3,990

See accompanying notes to combined financial statements.

Foundations	Plant Funds: Unexpended Plant	Plant Funds: Renewal and Replacement	Plant Funds: Retirement of Indebtedness	Plant Funds: Investment in Plant	Total June 30, 1986
$ 16,258	$ 88,274	$ 3,764	$ 2,191	$	$ 216,455
		1,147	8,724		9,871
105,900	4,903	3,979	33,676		225,265
	46				1,700
7,290	1,470	33	568		91,391
	4,378	969	1,407		31,038
					15,111
				32,667	32,667
				27,265	27,265
				1,024,743	1,024,743
				275,352	275,352
				109,602	109,602
				620	620
	22,893			1,872	24,765
11,557					11,557
1,765	187		90	3,523	8,311
$ 142,770	$ 122,151	$ 9,892	$ 46,656	$1,475,644	$2,105,713
$	$	$	$	$	$ 187
5,945	3,002	45	2,099	2,155	39,680
					24,244
7,726	33				31,036
					297
					15,818
613	2,382			296	3,294
	25,401		985	428,265	454,651
2,266					5,890
					4,895
16,550	30,818	45	3,084	430,716	579,992
6,128				1,002,840	1,008,968
					5,400
120,092	38,794	5,056	42,955	42,088	444,895
	52,539	4,791	617		66,458
126,220	91,333	9,847	43,572	1,044,928	1,525,721
$ 142,770	$ 122,151	$ 9,892	$ 46,656	$1,475,644	$2,105,713

Statistical Section

The Statistical Section gives report users a better historical perspective of financial information that may assist in assessing current financial status and trends of the Commonwealth. In addition, certain Demographic and Economic data have been presented that will allow a broader understanding of the economic and social environment in which state government operates.

COMMONWEALTH OF KENTUCKY
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

SOURCE	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Taxes										
Sales and gross receipts	$ 838,807	$ 930,934	$1,025,878	$1,007,080	$1,043,829	$1,134,597	$1,160,796	$1,231,677	$1,318,690	$1,367,593
Individual income	338,160	389,912	456,287	505,832	573,091	600,823	647,170	727,829	762,946	810,330
Corporation income	131,254	138,597	163,368	158,846	154,786	166,815	172,120	198,359	211,189	233,674
Property	43,413	147,366	161,305	176,758	180,111	196,167	203,340	229,783	234,552	260,547
License and privilege	12,208	14,757	17,538	18,947	36,520	41,012	47,972	46,154	24,944	65,436
Coal severance	112,597	127,761	153,610	176,368	178,759	237,882	201,815	196,828	204,242	198,311
Inheritance and estate	19,229	21,843	22,727	23,295	28,323	29,606	38,317	43,167	50,825	54,939
Miscellaneous	0	0	0	0	0	0	839	897	22,819	86,308
Total tax	$1,495,668	$1,771,170	$2,000,713	$2,067,126	$2,195,419	$2,406,902	$2,472,369	$2,674,694	$2,830,207	$3,077,138
Intergovernmental revenue	$ 710,790	$ 783,290	$ 921,750	$1,025,247	$1,102,110	$ 993,326	$1,045,822	$1,171,581	$1,339,707	$1,393,323
Charges for services	199,536	214,852	224,742	262,493	312,659	331,176	333,759	87,219	129,519	221,490
Licenses, fees and permits	54,834	62,568	68,757	71,447	74,322	80,631	82,517	108,057	108,971	77,988
Fines and forfeitures	8,141	14,132	25,868	26,327	26,200	23,322	27,393	30,284	31,592	33,262
Investment income	41,326	43,348	60,504	85,820	78,041	100,448	116,935	116,490	92,319	139,682
Other income	37,855	43,641	40,408	37,698	38,436	45,309	97,582	67,836	140,130	59,060
Total non-tax income	$1,052,482	$1,161,831	$1,342,029	$1,509,032	$1,631,768	$1,574,212	$1,704,008	$1,581,467	$1,842,238	$1,924,805
Total revenue	$2,548,150	$2,933,001	$3,342,742	$3,576,158	$3,827,187	$3,981,114	$4,176,377	$4,256,161	$4,672,445	$5,001,943

See Source and Note below.

COMMONWEALTH OF KENTUCKY
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

FUNCTION	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
General government	$ 544,140	$ 579,260	$ 637,161	$ 718,740	$ 825,259	$ 768,860	$ 800,326	$ 189,631	$ 278,551	$ 305,141
Legislative and judicial	14,904	30,763	46,030	51,122	55,601	65,216	66,547	71,993	70,035	79,120
Commerce	65,051	72,735	72,713	82,865	92,304	65,994	36,668	43,246	33,972	35,975
Education and humanities	591,006	780,319	889,751	992,645	1,047,763	1,149,373	1,264,662	1,229,218	1,263,757	1,324,490
Energy		2,469	8,612	10,138	15,051	39,502	14,025	11,648	3,400	7,549
Human resources	608,775	660,874	745,986	857,614	959,770	964,852	1,012,001	1,122,061	1,237,813	1,298,609
Justice	66,889	74,996	87,153	98,810	110,987	72,176	79,745	72,296	69,543	75,037
Natural resources and environmental protection	18,864	19,905	31,839	37,087	35,439	36,832	41,918	47,019	45,940	50,632
Corrections						47,407	48,104	58,682	77,035	81,707
Public protection and regulation	41,765	49,160	61,537	67,836	80,489	87,367	46,464	51,322	53,425	54,622
Transportation	416,356	526,026	652,386	805,874	690,931	619,291	616,457	702,908	708,854	738,707
Capital outlay	130,186	116,492	151,504	152,972	119,106	101,121	133,985	110,497	79,372	94,167
Debt service	91,418	71,453	121,305	124,543	128,594	149,520	225,218	265,130	194,722	344,887
Totals	$2,589,354	$2,984,452	$3,505,977	$4,000,246	$4,160,294	$4,167,471	$4,386,320	$3,975,651	$4,116,419	$4,490,643

SOURCE: Through 1982: Commonwealth of Kentucky Financial Report.
1983 through 1985: Commonwealth of Kentucky Financial Report.
1986: Commonwealth of Kentucky Comprehensive Annual Financial Report.

NOTE: For years through 1983 amounts shown are cash basis. Amounts shown for year after 1983 are accrual basis. In 1983 the fund structure of the Commonwealth was changed to facilitate GAAP basis accounting. Prior to 1983 the activity of the Commonwealth's proprietary funds had been accounted for in governmental funds.

COMMONWEALTH OF KENTUCKY
DESCRIPTION OF TAX SOURCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1986

SALES AND USE TAX - On July 1, 1960, Kentucky enacted the sales and use tax, becoming the thirty-fourth state to do so. As originally adopted, this tax was broad based with relatively few exemptions. Over the years, numerous new exemptions, including but not limited to the 1972 elimination of tax on groceries, have been passed into law. This reduction of the tax base has been offset, at least partially, by the 1968 increase of the tax rate from 3% to 5% of gross receipts for sales tax, and of sales price for use tax, respectively, and by the 1985 expansion of the tax to cover leases and rentals as well as sales. The result is that the sales and use tax has been since its inception the largest generator of General Fund revenue for the Commonwealth.

COAL SEVERANCE - Kentucky's coal severance tax became effective April 1, 1972, and was intended to replace a major portion of the revenue expected to be lost by the exemption of groceries from the sales tax. It was the first major severance tax among the states. The initial rate of four percent on the gross value of coal mined in Kentucky or thirty cents per ton, whichever is greater, was raised to 4.5% of the gross value of coal mined or fifty cents per ton, whichever is greater, in 1976. In 1978, the statute was revised to include the taxation of coal processing and add a deduction from the gross value for the cost of transportation. A 1986 amendment provides that coal producing and coal impact counties are to receive a minimum of ten percent of coal severance and processing taxes for FY 1986-87 and twelve percent for subsequent years.

MOTOR FUELS - In 1920, Kentucky became the fifth state to adopt a gasoline tax. The initial rate of one cent per gallon reached five cents per gallon by 1926. Effective April 1, 1948, the tax per gallon was raised to seven cents, with two-sevenths of the total set aside for rural and secondary roads. On July 1, 1972, administration of the motor fuels use tax was transferred from the Department of Revenue to the Department of Motor Transportation and the tax rate increased to nine cents per gallon. Effective July 1, 1980, the rate was changed to nine percent of the weighted average wholesale tank wagon price for sale in Kentucky.

MOTOR VEHICLE REGISTRATION - The 1936 General Assembly fixed a flat $4.50 registration fee (plus fifty cents for the County Clerk) for passenger cars. Similar fees were enacted in 1938 for farm trucks and in 1944 for church buses, water well drillers, and certain wreckers. Truck licenses were changed to a graduated "gross weight" basis in 1964. The current $11.50 fee for passenger cars, farm trucks, and the lightest trucks was passed in 1968. In 1973, all motor vehicle registration functions were transferred from the Department of Revenue to the Department of Transportation and the apportioned registration of commercial vehicles began. Current rates for heavier trucks range from $24 (6,001 - 10,000 lbs.) to $840 (73,281 - 82,000 lbs.) with extended weight tags required for still heavier vehicles.

INDIVIDUAL INCOME TAX - The individual income tax became effective for income earned during calendar 1936 and produced its first revenue during fiscal year 1936-37. The initial rates ranged from 2% on the first $3,000 of income to 5% on all over $5,000. In 1950, a rate of 6% was imposed on income in excess of $8,000. In 1954, Kentucky became the fourth state to implement a withholding system and also adopted the federal definition of net income. The rates currently applied to net income are: 2% of the first $3,000; 3% of the next $1,000; 4% of the next $1,000; 5% of the next $3,000; and 6% of the excess over $8,000. The present tax credit of $20 went into effect in 1960 and the current standard deduction of $650 was adopted in 1976. The individual income tax is second only to the sales and use tax in terms of producing revenue for the General Fund.

CORPORATION INCOME TAX - The corporate income tax was enacted to first apply to calendar 1936 income. The rate was 4% of the net income assigned to Kentucky after deduction of federal income taxes. This rate was changed to 4.5% in 1950 and again to 5% of the first $25,000 of taxable income and 7% of all in excess thereof in 1956. In 1972, the federal tax deduction was removed and the state rate reduced to 4% of the first $25,000 and 5.8% on the excess. Effective for taxable years beginning after December 31, 1981, net income is computed using the Internal Revenue Code in effect December 31, 1981, including the provisions of the Economic Recovery Act of 1981. Tax rates beginning on January 1, 1980, are: first $25,000 at 3%; next $25,000 at 4%; next $50,000 at 5%; and the excess over $100,000 at 6%. The 1985 Special Session of the General Assembly passed the Kentucky Equity Tax Act (KETA) into law. Kentucky law now mandates a state depreciation system separate from the current federal system. This new Kentucky System allows corporate taxpayers to recover the entire cost of property through depreciation as compared to a partial recovery using the Federal Accelerated Cost Recovery System (ACRS). KETA also added a new graduated rate of 7.25% of taxable income in excess of $250,000 and retained the existing graduated rates of 3% to 6% on the first $250,000 of taxable income for taxable years beginning after July 31, 1985.

PROPERTY TAX - The most marked changes in taxation during the past forty-two years have occurred in the property tax. Prior to 1934, the property tax was the state's major revenue source. In that year, an attempt to remove the tax on real estate was ruled unconstitutional. The tax rate was then reduced from thirty cents to five cents per $100 assessed value. The 1965 Special Session of the General Assembly further reduced the rate on real estate from five to one and one half cents and on tangible property from 50 to 15 cents. House Bill 44 enacted by the 1979 extraordinary legislative session established a new rate setting mechanism, which limited the increase in aggregate revenues for all taxing districts, in general, and specifically limited the state rate for real estate to no greater than necessary to provide a 4% increase in revenue from year to year. As a result, the state tax rate has dropped 30.2% from 31.5 cents per $100 in 1978 to 22.0 cents per $100 in 1985.

INHERITANCE AND ESTATE TAX - The inheritance tax began in Kentucky in 1906 and provided that all property of persons residing in the state and property within the state owned by non-residents shall be subject to a tax of $5 on each $100 of its fair cash value at the times of their deaths. The original exemption was $500. In 1936, 1948, 1976, 1978, and 1985 various changes in the then existing legacy brackets and exemptions were legislated into law. Effective for dates of death on or after August 1, 1985, the surviving spouse's exemption for inheritance tax increases from the previous $50,000 to the total inheritable interest, and the tax rates for others range from 2% to 16%, depending on legacy bracket and estate value. The estate tax is an amount by which the state death tax credit allowable under the federal law exceeds the inheritance tax.

COMMONWEALTH OF KENTUCKY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FOR CALENDAR YEARS 1975-1984
(Expressed in Thousands Except Ratio Data)

For the Year Ended December 31	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1975	$22,616,592	$25,587,327	$30,487,989	$30,487,989	$ 53,104,581	$ 56,075,316	94.7%
1976	24,223,512	27,978,408	33,425,131	33,425,131	57,648,643	61,403,539	93.9%
1977	26,015,990	30,091,416	37,112,144	37,112,144	63,128,134	67,203,560	93.9%
1978	28,876,814	34,110,394	42,039,825	42,039,825	70,916,639	76,150,219	93.1%
1979	34,332,545	39,816,984	47,896,733	47,896,733	82,229,278	87,713,717	93.7%
1980	38,713,126	43,532,117	52,825,071	52,825,071	91,538,197	96,357,188	95.0%
1981	42,792,643	45,904,117	57,405,797	57,405,797	100,198,440	103,309,914	97.0%
1982	45,251,023	46,321,105	62,094,708	62,094,708	107,345,731	108,415,813	99.0%
1983	47,093,751	49,520,243	66,774,624	66,774,624	113,868,375	116,294,867	97.9%
1984	49,509,797	52,335,938	74,630,641	74,630,641	124,140,438	126,966,579	97.8%

SOURCE: Kentucky Revenue Cabinet

NOTE: Assessed values are established through the utilization of an annual ad valorem tax based on the fair value of the property.

COMMONWEALTH OF KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands Except for Percentages)

For the Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1976	$ 38,946	$ 36,310	93.2%	$ 990	$37,300	95.8%
1977	43,093	42,187	97.9%	1,226	43,413	100.7%
1978	158,631	146,114	92.1%	1,252	147,366	92.9%
1979	175,626	159,199	90.6%	2,106	161,305	91.8%
1980	189,778	174,026	91.7%	2,733	176,759	93.1%
1981	195,899	177,391	90.6%	2,720	180,111	91.9%
1982	208,547	192,699	92.4%	3,468	196,167	94.1%
1983	218,659	199,002	91.0%	4,338	203,340	93.0%
1984	227,109	222,512	98.0%	7,104	229,616	101.1%
1985	251,032	227,564	90.7%	7,149	234,713	93.5%

SOURCE: Kentucky Revenue Cabinet

NOTE: Property taxes are assessed as of January 1 of each year in one of two ways: 1) by the 120 Property Valuation Administrators within the state, or 2) by the Revenue Cabinet. The tax rates are set by the various taxing jurisdictions and applied to the particular assessment. Tax bills are delivered by September 15 of each year.

COMMONWEALTH OF KENTUCKY
RATIO OF GENERAL LONG-TERM BONDED DEBT
TO ASSESSED VALUE AND DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands Except Ratio and Per Capita Data)

For the Year Ended June 30	Population	Assessed Value	General Long-Term Bonded Debt	General Bonded Debt Ratio to Assessed Value	General Bonded Debt Per Capita
1977	3,575	$63,128,134	$1,382,738	2.2%	$387
1978	3,611	70,916,638	1,379,412	1.9%	382
1979	3,644	82,229,278	1,589,070	1.9%	436
1980	3,661	91,538,197	1,709,743	1.9%	467
1981	3,675	100,198,440	1,694,178	1.7%	461
1982	3,692	107,345,713	1,260,501	1.2%	341
1983	3,714	113,868,375	1,324,075	1.2%	357
1984	3,723	124,140,439	1,641,386	1.3%	441
1985	3,729	134,669,175	1,639,050	1.2%	440
1986	3,779	145,500,000 Est.	1,731,292	1.2%	458

SOURCE: U. S. Department of Commerce, Populations Estimates and Projections, University of Louisville Urban Study Center Population Projections, Revenue Cabinet Annual Report, Commonwealth of Kentucky Annual Financial Report.

NOTE: General long-term bonded debt outstanding includes adjustments to eliminate bonds accounted for by Proprietary Funds, State Universities and certain debt issuing authorities, as well as adjustments reflecting updated amortization schedules, bonds redeemed prior to scheduled maturity, and correction of maturity schedule errors.

COMMONWEALTH OF KENTUCKY
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
TO TOTAL GENERAL EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands Except Ratio Data)

For the Year Ended June 30	Debt Service	Total Expenditures	Ratio
1977	$85,231	$2,589,354	3.3%
1978	49,752	2,984,452	1.7%
1979	98,596	3,505,977	2.8%
1980	92,548	4,000,246	2.3%
1981	96,773	4,160,294	2.3%
1982	115,950	4,167,471	2.8%
1983	146,886	4,386,320	3.3%
1984	212,362	3,975,651	5.3%
1985	187,793	4,116,419	4.6%
1986	256,318	4,489,306	5.7%

SOURCE: Commonwealth of Kentucky Annual Financial Report, Debt Service Fund Cash Control Detail Report, Transportation Fund Allotment Detail Report

NOTE: For years through 1983 amounts shown are cash basis. Amounts shown for years after 1983 are accrual basis. In 1983 the fund structure of the Commonwealth was changed to facilitate GAAP basis accounting. Prior to 1983 the activity of the Commonwealth's proprietary funds had been accounted for in the governmental funds.

COMMONWEALTH OF KENTUCKY
DEMOGRAPHIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

For the Year Ended Dec 31	Population	Per Capita Income	Unemployment Rate
1976	3,530,000	$5,263	5.6%
1977	3,575,000	5,797	4.7%
1978	3,611,000	6,389	5.2%
1979	3,644,000	7,119	5.6%
1980	3,661,000	7,648	8.0%
1981	3,675,000	8,567	8.4%
1982	3,692,000	8,934	10.6%
1983	3,714,000	9,162	11.7%
1984	3,723,000	10,300	9.3%
1985	3,729,000	10,585	9.5%

SOURCE: U. S. Department of Commerce, U. S. Bureau of Economic Analysis, Cabinet for Human Resources.

COMMONWEALTH OF KENTUCKY
CONSTRUCTION AND BANK DEPOSITS
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands Except Number of Units)

For the Year Ended Dec 31	Non-Residential Construction		Residential Construction		Bank Deposits
	Number of Units	Value	Number of Units	Value	
1976	11,410	$271,885	13,402	$337,884	10,614,000
1977	12,256	357,203	17,960	465,419	12,182,000
1978	12,286	328,290	16,112	468,966	13,607,000
1979	11,662	450,008	13,116	437,332	14,905,000
1980	10,780	484,653	10,360	351,415	16,030,000
1981	10,468	449,864	8,067	268,702	17,672,000
1982	9,429	349,975	7,397	244,062	18,902,000
1983	10,709	422,998	11,839	421,816	20,888,000
1984	7,122	476,900	13,276	482,753	22,658,000
1985	8,260	591,720	13,770	522,626	24,191,000

SOURCE: U. S. Bureau of Census, Federal Deposit Insurance Corporation.

COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
(Expressed in Thousands Except for Percentages)

Source	1980		1981		1982		1983		1984	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	$ 922,000	4.4%	$1,222,000	5.5%	$1,065,000	4.5%	$ 572,000	2.4%	$1,174,000	4.4%
Agricultural Services, Forestry, Fishery, and Other	66,000	0.3%	73,000	0.3%	84,000	0.4%	112,000	0.5%	120,000	0.4%
Mining	1,647,000	7.9%	1,733,000	7.7%	1,817,000	7.8%	1,435,000	5.9%	1,637,000	6.1%
Manufacturing	5,379,000	25.7%	5,775,000	25.7%	5,534,000	23.7%	5,833,000	24.1%	6,548,000	24.3%
Contract Construction	1,208,000	5.8%	1,170,000	5.2%	1,178,000	5.0%	1,256,000	5.2%	1,359,000	5.0%
Wholesale and Retail Trade	3,065,000	14.6%	3,206,000	14.3%	3,667,000	15.7%	3,659,000	15.1%	3,969,000	14.7%
Finance, Insurance, and Real Estate	864,000	4.1%	884,000	3.9%	951,000	4.1%	1,088,000	4.5%	1,197,000	4.4%
Transportation, Communications, and Public Utilities	1,631,000	7.8%	1,739,000	7.8%	1,794,000	7.7%	1,902,000	7.8%	2,055,000	7.6%
Services	2,797,000	13.3%	3,034,000	13.5%	3,325,000	14.2%	4,107,000	17.0%	4,439,000	16.5%
Government	3,378,000	16.1%	3,620,000	16.1%	3,959,000	16.9%	4,253,000	17.5%	4,483,000	16.6%

SOURCE: U. S. Bureau of Economic Analysis, Kentucky Economic Information System, August, 1986.

COMMONWEALTH OF KENTUCKY
LARGEST MANUFACTURERS
(Ranked by Number of Employees - 800 or More)
1984

Company	Number of Plants	Number of Employees	Company	Number of Plants	Number of Employees
General Electric Company	9	17,016	Jockey International Incorporated	5	1,368
Northwest Industries	4	6,607	Henry Vogt Machine Company	1	1,360
International Business Machines	1	6,300	Duro Paper Bag Company	3	1,305
Ford Motor Company	2	6,283	Louisville Bedding Company	2	1,289
Armco Incorporated	7	4,619	Alcan Aluminum Corporation	3	1,239
Philip Morris Incorporated	2	3,992	The Square D Comapny	1	1,240
Colt Industries Incorporated	3	2,750	Ashland Oil Incorporated	3	1,161
Naval Ordinance Station	1	2,724	Johnson Controls Incorporated	3	1,160
Mortin Marietta Corporation	5	2,541	Reynolds Metal Company	4	1,146
American Standard Incorporated	5	2,462	U.S. Shoe Corporation	4	1,136
Emerson Electric Company	6	2,212	National Alum. Corp. & Southwire Company	2	1,082
Palm Beach Company	5	2,177	Litton Industries	4	1,014
Interco Incorporated	8	1,964	E.I. duPont de Nemours and Company	2	968
Hoover Universal Incorporated	7	1,860	Firestone Steel Products Company	1	961
Eaton Corporation	4	1,816	AMF Incorporated	2	939
Chessie System	1	1,800	Rand McNally and Company	2	895
B.F. Goodrich Company	4	1,677	Oshkosh B'Gosh Incorporated	4	888
Brown-Foreman Distillers Corporation	3	1,620	Porter Paint Company	1	861
American Greetings Corporation	2	1,570	Leggett and Platt Incorporated	3	853
General Tire and Rubber Company	1	1,545	Corning Glass Works	3	845
Rockwell International	4	1,503	Colgate-Palmolive Company	2	841
Courier Journal and Louisville Times	1	1,396	CONAGRA	3	818
GTE Products Corporation	6	1,376	A.O. Smith Corporation	1	800
General Motors Corporation, GMAD	1	1,375	Tecumseh Products Company	1	800

SOURCE: 1986 Kentucky Directory of Manufacturers, published by the Department of Economic Development.